Entry Mode Portfolio Theory

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ii. TABLE OF CONTENTS

iii. TABLE OF TABLES

iv. TABLE OF FIGURES

1. ABSTRACT

Most entry mode theories and empirical research has acknowledged that prior entry mode experience facilitates organizational learning that determines subsequent entry mode choice. However, empirical literature reveals inconsistent findings regarding the influence of prior experience on future mode selection i.e. ranging from no significant relationship between experience and entry mode choice, to firm's preference for high-control modes or Wholly-Owned Subsidiaries (WOSs) as well as for low-control modes or shared ownership structures including Joint Ventures (JVs). In addition, the focus of prior studies has been on a few specific attributes of experience namely frequency, host country experience, general international experience and geographical diversity. There is a paucity of strategic solutions that assist managers in an informed entry mode choice based upon global strategic posture and interdependence among prior entries.

Building upon recent calls to reinvigorate the entry mode research and alleviate these limitations, I have theorised a novel perspective known as Entry Mode Portfolio (EMP) theory that explores the collective influence of diverse attributes of historical entry mode experience on next mode choice through organizational learning. EMP is defined as a collection or a portfolio of organizational learning that evolves from eight attributes of prior entry mode experience namely, frequency, geographical diversity, performance, host country experience, general international experience, function, size and recentness. In EMP perspective, I explain how the combined influence of organizational learning facilitates a superior entry mode choice by alleviating limitations of the learning that evolve from individual attributes such as organizational inertia, learning myopia and application errors. Additionally, I theorise that interactions among different learning facilitate synergies and enable the firm to leverage a higher performance through a correct entry mode choice.

Based upon the sample of European firms, empirical findings reveal that for WOS-specific experience, prior attributes including frequency, geographical diversity, function, recentness, general international experience and host country experience were bundled together in a composite experience-based construct termed as WOS Experience Portfolio. However, for JV-specific experience two distinct experience portfolios were formed; first, JV Experience Portfolio that consists of frequency, geographical diversity, function and recentness and second, JV Country-Specific Experience Portfolio that comprised of general international experience and host country experience. In addition, average performance and recent performance of prior WOSs and JVs were found to be encapsulated in performance-related composites known as WOS Performance Portfolio and JV Performance Portfolio.

Logistic regression analysis revealed that firms with greater WOS Experience Portfolio were more likely to choose a WOS as the next mode of entry, while extensive JV Experience Portfolio and JV Country-Specific Experience Portfolio enhanced the likelihood of international entry by the means of a JV. However, no interaction effects between WOS Performance Portfolio and WOS Experience Portfolio as well as between JV Performance Portfolio and JV Experience Portfolio were found. Overall, the evidence suggests that EMP theory partially explains the entry mode choice.

The research enlightens the entry mode literature with a novel perspective built upon the holistic influence of historical entry mode experience, its attributes and organizational learning. Importantly, it addresses the issue of the lack of empirical consensus by determining a broader and composite experience-based construct that yields a unanimous result regarding influence of experience on firm's subsequent mode choice. EMP perspective also draws the attention towards less researched attributes of mode experience such as function, size, recentness and performance as well as explains the nature of learning, that is, behavioural and cognitive learning that evolves from these attributes and determines future mode selection.

2. INTRODUCTION TO THESIS

Entry modes is a highly salient area in International Business (IB) research. Understanding entry mode selection, its determinants and influence on firm performance has been a widely shared motivation among researchers in this field (Hennart, Sheng & Pimenta, 2015; Brouthers, 2002; Brouthers & Nakos, 2004; Hennart, 1991; Makino & Neupert, 2000; Slangen & Hennart, 2008; Powell & Rhee, 2013; Nadolska & Barkema, 2007; Haar & Marinescu, 2014; Lopez-Duarte & Vidal- Suarez, 2008; Larimo & Nguyen, 2015). Scholars have sought to identify entry mode choices for large firms and Small and Medium Enterprises (SMEs) in diverse national contexts and industrial sectors (Hollender, Zapkau & Schwens, 2017; Laufs & Schwens, 2014; Ellis, Reus, Lamont, & Ranft, 2011; Musso & Francioni, 2014; Etemad-Sajadi, 2015; Chan & Rosenzweig, 2001; Blomstermo, Sharma & Sallis, 2006; Nakos & Brouthers, 2002).

Importantly, factors that shape mode of entry choice has received considerable scholarly attention. Primarily, antecedents to future mode selection have been explored through four theoretical perspectives namely Transaction Cost Economics (TCE), Resource-Based View (RBV), institutional theory and Dunning's Ownership Location Internalisation (OLI) paradigm (Brouthers & Hennart, 2007). Accordingly, researchers have investigated the influence of TCE attributes namely transaction-specific assets, uncertainty and frequency of transactions (Gatignon & Anderson, 1988; Delios & Beamish, 1999; Brouthers & Brouthers, 2003; Hennart & Larimo, 1998; Taylor, Zou & Osland, 1998), firm-specific resources including proprietary technology, product superiority, prior experience, organizational culture and reputation (Erramilli, Aggarwal & Dev, 2002; Ekeledo & Sivakumar, 2004; Aulakh & Kotabe, 1997; Mutinelli & Piscitello, 1998; Tan, Erramilli & Liang, 2001), institutional dimensions including regulative, normative and cognitive pillars (Powell & Rhee, 2013; Yiu

& Makino, 2002; Arslan & Larimo, 2010; 2017; Huang & Strenquist, 2007; Darendelu & Hill, 2016; Arslan & Wang, 2015; Che & Facchini, 2009; Lu, 2002; Chan & Makino, 2007) and OLI factors, that is, firm-specific characteristics, location-specific factors and internalization advantages on entry mode selection (Agarwal & Ramaswami, 1992; Brouthers, Brouthers & Werner, 1996, 1999; Nakos & Brouthers, 2002; Tatoglu & Glaister, 1998). Taking a different route, a few scholars have also integrated different theories such as TCE with cultural context and institutional variables (Brouthers, 2002; Meschi, Phan & Wassmer, 2016), real options and TCE (Brouthers, Brouthers & Werner, 2008b) and RBV and institutional theory (Meyer, Estrin, Bhaumik & Peng, 2009a) to enhance the explanatory potential of prevalent logics with novel insights.

While these dominant theoretical perspectives have important bearings on entry mode research, they are not free from limitations. Measurement inadequacy and multidimensionality of TCE-specific variables, discordance among national characteristics that constitute institutional environment, inaccurate assumption of free availability of locational advantages of OLI paradigm, different time frames and experiences in RBV-based studies are few of the drawbacks that undermine the effectiveness of these theories (Brouthers, 2013; Ekeledo & Sivakumar, 2004; Stoian & Filippaios, 2008; Hennart, 2012).

Particularly, there is a lack of consensus in the empirical literature regarding the influence of entry mode experience on firm ownership levels (Brouthers & Hennart, 2007; Klier, Schwens, Zapkau & Dikova, 2017; Hernandez & Nieto, 2015; Dow & Larimo, 2011; Arslan & Wang, 2015; Larimo & Arslan, 2013; Hennart, et. al, 2015). Some studies suggest that greater experience enhances the likelihood of high-control modes or WOSs (Gatignon & Anderson, 1988; Padmanabhan & Cho, 1996; Hennart, 1991; Delios & Beamish, 1991; Luo, 2001; Kim & Hwang, 1992; Ekeledo & Sivakumar, 2004; Mutinelli & Piscitello, 1998;

Agarwal & Ramaswami, 1992), some revealed that firm's preference for low-control entry modes or shared-ownership structures increases with experience (Brouthers & Brouthers, 2003; Delios & Beamish, 1999) and some even found no significant relationship between experience and entry mode choice (Brouthers, Brouthers & Werner, 2003; Padmanabhan & Cho, 1996; Brouthers & Brouthers, 2003). The employment of diverse attributes of entry mode experience and their respective experience- and non-experience-based measures have contributed to these ambiguous empirical findings (Brouthers & Hennart, 2007; Ekeledo & Sivakumar, 2004).

Further, IB scholars have increasingly turned to examine the role of a few attributes of experience namely frequency, geographical diversity, general international experience and host country experience in the degree of foreign ownership sought by a firm (Powell & Rhee, 2013; Vermeulen & Barkema, 2001; Erramilli, 1991; Collins, Holcomb, Certo, Hitt & Lester 2009; Padmanabhan & Cho, 1999; Barkema & Vermeulen, 1998; Hennart, 1991). However, empirical evidence and theoretical notions suggest the influence of organizational learning derived from additional facets of experience namely performance, function, recentness and size on future mode selection (Haleblian, Kim & Rajagopalan, 2006; Cho & Padmanabhan, 2001; Chan & Rosenzweig, 2001; Morschett, Schramm-Klein & Swoboda, 2008; Bonetti & Masiello, 2014). It is surprising that only handful of recent studies has explored the potential of these factors as the antecedents of mode of entry choice. A systematic study that explains and tests the collective influence of diverse attributes of historical mode experience on future entry mode choice is, therefore, clearly needed.

It is also critical note that distinct attributes exert varying influences on firm ownership preferences as well as interact with each other to determine the mode of entry choice. A higher frequency of acquisitions coupled with a higher performance of recent

acquisition enhanced the firm's preference for acquisitions, however, poor acquisition performance encouraged the firm to deviate from its persistence of employing acquisitions under the effect of greater frequency (Haleblian, et. al, 2006). Additionally, Delios and Beamish (1999) found that host country experience induced the firm to adopt higher ownership levels, while the general international experience enhanced the firm's preference for lower ownership levels or low-control entry modes. Together, these studies outline a pivotal yet unexplored strand of entry mode literature associated with collective influence of diverse attributes of historical entry mode experience.

A broader focus is, thus, required as one attribute of experience is not the sole determinant of entry mode choice and the organizational learning that evolves from that attribute does not reflect the holistic learning accrued by firm from its historical entry mode experience. A focus on distinct attributes of entry mode experience such as frequency and performance of past mode choices and their role in firm's learning could elevate understanding about entry mode decisions and alleviate the inconsistency in empirical findings related to influence of experience on mode of entry choice (Hennart & Slangen, 2015). Therefore, a comprehensive construct that captures holistic entry mode experience and yields a unanimous impact on entry mode choice could serve as a potential solution to ambiguous empirical results.

The need for a combined approach has been also stressed owing to the interdependencies that exist across entry mode structures and impact of one entry mode choice on the next (Brouthers, 2013). It is critical to shift the focus from success of an individual foreign entry to strategic relationships across international operations through a portfolio of interdependent units (Kim & Hwang, 1992). The way forward is to understand the entry mode choice through lens of novel theoretical perspectives, integration of theories,

interdependence among entry modes and historical mode choices for a meaningful contribution towards entry mode literature (Brouthers & Hennart, 2007; Shaver, 2013). This contention is also echoed by Brouthers (2013) who points out that strategic solutions for a sound entry mode choice that elevates firm performance are rare. Given the impact of entry mode choice on control and risks of foreign operations, firm performance and flexibility of future strategies (Dow & Larimo, 2011; Brouthers, Brouthers & Werner, 2008a; Anderson & Gatignon, 1986; Kim & Hwang, 1992; Padmanabhan & Cho, 1996), a coherent framework that assists firms in making qualified entry mode choice and realizes its corporate objectives is imperative.

Building upon these ideas, I engage in a systematic and in-depth analysis of the influence of prior entry mode experience and its attributes on future mode selection through organizational learning. I develop a fresh conceptualization of historical entry mode experience and its diverse attributes in an effort to reinvigorate entry mode research by addressing its key limitations, that is, the inconsistency in empirical literature and dearth of strategies to make informed entry mode decisions. In this research, I introduce a novel perspective known as Entry Mode Portfolio (EMP) premised on diverse attributes of historical entry mode experience and organizational learning. First, I reason that combined influence of different attributes of mode experience can address the discordance in empirical literature regarding the effect of experience on firm ownership levels. Second, I explain that how the interaction of different learning that evolve from diverse attributes of experience can facilitate an objective and informed entry mode selection decision that lowers risks and enhances the performance of international entry. Overall, I develop a theory that explains how collective influence of several attributes of historical entry mode experience influences next entry mode choice through organizational learning.

In particular, I have developed two papers. The first paper is the theoretical paper that theorises the EMP perspective. A portfolio refers to the collection of securities or investments (Berk & DeMarzo, 2011). By reviewing and interpreting the literature on entry modes and organizational learning, I conceptualise EMP as a collection or a portfolio of organizational learning derived from distinct attributes of entry mode experience. Precisely, I identify eight attributes of historical entry mode experience, namely, frequency, geographical diversity, performance, host country experience, general international experience, function, size and recentness; and their role in facilitating organizational learning and its limitations that adversely impact entry mode selection. In particular, I draw the attention towards the neglected role of four attributes of entry mode experience namely function, size, recentness and performance, while explaining the distinction between behavioural and cognitive learning that evolves from each attribute of prior experience and act as a significant factor that determines entry mode choice thereof.

The paper proceeds by exploring how EMP can help the firm to make a superior and objective choice of next ownership structure. I build this rationale on the portfolio theory of finance that suggests that the risk of a portfolio can be reduced through diversification of investments (Brealey, Myers, & Allen, 2011). The varying magnitude and direction of firm-specific risks associated with each investment nullify each other and assist in reducing the overall risk of a portfolio (Brealey, et. al, 2011; Berk & DeMarzo, 2011). Consistent with this, I, in the EMP theory, propose that the interactions among different learning alleviate risks and uncertainties associated with entry mode choice. The learning derived from one attribute overcomes the limitations of learning that evolves from other attributes, thereby, lowering vulnerabilities and risks of selecting an inferior mode of entry. Additionally, different learning complement one another and facilitate synergies which leads to a higher return or performance of an international entry through informed entry mode choice. In sum, EMP

perspective enables a firm to leverage greater value from the learning that it accrues from prior international entry modes.

The theory paper explains how organizational learning derived from attributes of entry mode experience can be transformed into sound entry mode choice and a higher mode performance by considering both the interactions among different learning and their collective influence on subsequent entry mode choice. For instance, an entry mode choice predicted by organizational learning derived from greater frequency of entry modes could be an outcome of routinized behaviour of firm subjected to organizational inertia or repetitive momentum (Collins, et. al, 2009). Organizational inertia may be understood as stagnation in organizational facets including structures, policies, competitive strategies and managerial ideologies (Miller & Chen, 1994; Kelly & Amburgey, 1991). A greater frequency of an entry mode suggests a successive or recurrent utilization of that mode of entry. The repeated implementation of a specific entry mode refines routines and creates productive repertoires that elevates firm's value by reducing overall implementation costs, thereby, inducing the firm to redeploy and leverage these routines i.e. establishing the same mode in future (Padmanabhan & Cho, 1999; Nadolska & Barkema, 2007). A routinized behaviour of firm, thus, evolves due to dominance of learned behaviour, institutionalization or acceptance for taken-for-granted strategies, thereby, facilitating organizational inertia (Collins, et. al, 2009; Hannan & Freeman, 1984; Lu, 2002).

Inertial tendencies provide resistance to organizational change and therefore, reinforce the establishment of prior modes in subsequent entries that stifles firm's strategic flexibility, adaptation to new contexts and performance (Collins, et. al, 2009; Hannan & Freeman, 1984; Kelly & Amburgey, 1991). As environments change and require distinct response (Levinthal, 1995), a dedicated employment of same entry mode could be an obsolete choice that makes a

firm vulnerable to failure. EMP theory proposes that learning derived from additional attributes such as geographical diversity and performance could mitigate these perils of organizational inertia.

Geographical diversity refers to different host countries in which a firm has established its international operations (Brouthers, et. al, 2008a; Capar & Kotabe, 2003; Slangen & Hennart, 2008). Diversity of foreign markets, specifically, regulative, normative and cognitive institutional environments enriches firm's knowledge regarding legal and statutory requirements, political conditions, societal expectations, beliefs and cultural sensitivities as well as creates a deeper understanding of demand characteristics, suppliers, competitors and collaborators in host countries (Barkema & Vermeulen, 1998). Therefore, organizational learning accrued from geographical diversity alters firm's existing beliefs, thought processes, interpretations, while developing new frames of references, ideas and insights. This enables a firm to discern critical factors in an international entry and unlearn or overcome pre-established conceptual frameworks, political, personal and psychological resistance to novel strategies (Nicolini & Meznar, 1995). A firm, thus, engages in a more objective selection of an entry mode which is appropriate to new context and is freed from inertial pressures that stem from higher frequency of entry modes.

Likewise, performance of prior modes, specifically, failure acts as a panacea against organizational inertia. A failure assists a firm in recognizing knowledge gaps and implementing knowledge developmental efforts that modify existing organizational structures and practices (Madsen & Desai, 2010). For instance, a poor performance of acquisition encourages a firm to reassess and modify its choice of acquisition as a foreign entry structure and to adopt novel strategies to enhance firm performance (Haleblian, et. al, 2006). Regardless of the creation of effective routines and capabilities through a greater frequency of

a specific entry mode, firms tend to review legitimacy and deviate from their subsequent adoption due to poor performance or failure. Therefore, learning derived from failure mitigates the likelihood of selection of a suboptimal foreign entry structure under the influence of inertia owing to high frequency of entry modes.

The theory paper demonstrates similar interactions among learning associated with different attributes and suggests that interactions among learning free an entry mode choice from dysfunctional influences of organizational inertia (Shimizu & Hitt, 2005; Miller & Friesen, 1980), learning myopia (Levinthal & March, 1993), superstitious learning (March & Olsen, 1975) and application errors (Zeng, Shenkar, Lee & Song, 2013). EMP perspective, thus, aims to select a qualified and informed entry mode through collective influence of learning that evolve from distinct attributes of historical entry mode experience which mitigates risks and extracts synergies in an international entry. Essentially, the collective influence forms the basis of generation of an aggregated or composite-experience based construct that overcomes the issue of divergent findings regarding the impact of prior experience on entry mode choice. This aspect is explored in the second paper that is the empirical investigation of EMP theory. Additionally, in the theory paper, I apply resource-based view lens and explain that how EMP can be viewed as firm-specific resource that is characterized by valuableness, rarity, imperfectly imitability and non-substitutability and therefore, influences firm's competitiveness and performance (Barney, 1991; Eisenhardt & Schoonhoven, 1996). Overall, the aim of theoretical paper is to establish the foundation of the EMP theory that first, analyses several attributes of entry mode experience and their collective role in facilitating portfolio of organizational learning or EMP and then, reasons how EMP predicts a strategic mode of entry by mitigating vulnerabilities and risks associated with mode selection as well as exploiting synergies and deriving greater value from foreign market entries.

My second paper is the empirical investigation of the EMP theory, that is, conceptualization of EMP and its influence on entry mode selection. In particular, I conceptualize distinct portfolios for WOSs and JVs namely WOS Experience Portfolio and JV Experience Portfolio. These portfolios are composed of six attributes of historical entry mode experience namely frequency, geographical diversity, function, host country experience and general international experience. According to the EMP theory, experience portfolios generate portfolio learning, that is, the aggregated learning accrued from organizational learning facilitated by these six attributes of previous entry mode experience. In other words, portfolio learning may be defined as the lessons learned and know-how generated through the combined influence of distinct attributes of experience. My first hypothesis examines the influence of experience portfolios, that is, portfolio learning on firm's subsequent entry mode selection. I hypothesize that greater experience portfolio of specific entry mode is associated with greater likelihood that a firm will establish the same mode in a subsequent international entry.

Following that, using performance feedback approach, I examine how the performance of prior modes influences the impact of EMP on mode of entry choice. In consistence with EMP, I conceptualize distinct performance portfolios for WOSs and JVs. Performance portfolios are composed of average and recent performances of prior entry modes. I develop a theoretical argument regarding how performance feedback that evolves from higher performance (success) and lower performance (failure) levels of performance portfolio interacts with EMP and modifies its influence on the choice of foreign entry structure. In second hypothesis, I propose that the positive effect of EMP of particular entry mode on the likelihood of firm's establishment of same mode is stronger at higher levels of performance portfolio and weaker at lower levels of performance portfolio.

In order to test these two hypotheses, I utilized a sample of European firms whose information was fetched from ORBIS database, that is, online global company database which holds information of corporate structure, and financial accounts of over 120 million public and private companies around the world. The reasons for selection of European firms included their long history of international investments, wide international scope and extensive engagement in diverse industries that generated rich historical data regarding international entries and enabled a valid and reliable operationalization of distinct attributes of entry mode experience. The dependent variable used in this research was the most recent mode of entry categorized as WOSs or JVs. Given a dichotomous dependent variable, a binary logistic regression analysis was selected performed to investigate the EMP theory. Subsequently, I discussed empirical results and presented managerial and theoretical implications including directions for future research.

Through EMP research, I make four contributions. First, I develop a novel entry mode perspective that incorporates experience and organizational learning as its theoretical foundations and addresses the influence of holistic historical entry mode experience on the choice of foreign entry structure. Unlike earlier entry mode studies that largely engage with lone or a few paired attributes of entry mode experience (Nadolska & Barkema, 2007; Erramilli, 1991; Barkema & Vermeulen, 1998; Haleblian, et. al, 2006; Powell & Rhee, 2013), I, in EMP theory describe the collective influence of distinct attributes of entry mode experience on mode of entry choice. This paper documents that how EMP, that is, portfolio or collection of organizational learning that evolves from attributes of experience, mitigates risks and extracts synergies in entry mode decisions and leads to a superior mode selection. My treatment specifies the way different attributes of historical mode experience and learning interact with one another and determine entry mode choice– consistent with recent calls to address potential of interdependence among modes, diverse experiences and perspective

solutions for informed entry mode decisions (Brouthers, 2013; Hennart & Slangen, 2015; Shaver, 2013).

Second, perhaps more importantly, a closely related empirical contribution is the potential to alleviate the discordance in empirical findings as prior studies mostly relied on several experience-based measures to determine the influence of experience on the choice of foreign entry structure (Brouthers & Hennart, 2007). Through EMP theory, I introduce a single and a broader experience-specific construct composed of different attributes of mode experience that yields a unique result and overcomes the observed inconsistency in empirical literature. Studies focusing on entry modes and experience could employ this aggregated and a holistic experience construct for comprehensive empirical analysis related to the influence of prior experience on future mode selection.

Third, I differentiate between two dimensions of the organizational learning, that is, behavioural and cognition, and explain their unique influences on entry mode decisions. Despite the critical role of organizational learning in firm mode choices (Padmanabhan & Cho, 1999; Brouthers & Nakos, 2004; Powell & Rhee, 2013; Collins, et. al, 2009; Gao & Pan, 2010; Nadolska, & Barkema, 2007), prior studies have often explored a general influence of learning without specifying its dimensions. Because of the significant differences in the mechanisms and implications of behavioural and cognition learning, a general influence may prevent us from correctly understanding the influence of learning as well as their interactions. Therefore, in this paper, I identify and explain that the nature of organizational learning is an important factor that determines mode of entry choice. In particular, I suggest that entry mode choice is the outcome of either behavioral learning i.e. observable changes in firm routines, structures and strategies or cognitive learning i.e. growth of shared understanding and changes in underlying thought processes, interpretation and organizational beliefs or both (Fiol & Lyles, 1985; Leroy & Ramanantsoa, 1997; Lundberg, 1995). Through this differentiation, I

extend the organizational learning literature and pave the way for future researches to adopt a more fine-grained influence of organizational learning on firm's behaviour.

Fourth, I examine rarely studied attributes of historical entry mode experience namely function, performance, size and recentness as the key drivers of mode of entry choice. So far, the literature has primarily investigated the role of frequency, geographical diversity, general international experience and host country experience on future mode selection (Padmanabhan & Cho, 1996; Delios & Beamish, 1999; Luo, 2001; Hennart, 1991; Nadolska & Barkema, 2007; Barkema & Vermeulen, 1998; Erramilli, 1991). In this paper, I have argued that it is the interaction among different attributes of mode experience including function, performance, size and recentness that influences entry mode choice. I document how these seldom examined experience-based attributes facilitate organizational learning which complements the learning derived from additional attributes and predicts mode of entry choice. Therefore, I enrich the entry mode literature by theorising about the potential of under-researched attributes of mode experience and explaining how their consideration in the EMP assists in reconciling inconsistent findings regarding the influence of prior experience on future mode choice.

Overall, the objective of my research is to further the understanding of historical entry mode experience in shaping the firm's preference for foreign entry structure by employing a unique perspective known as EMP. Specifically, EMP is built upon the collective influence of several attributes of mode experience including the relatively unexplored facets including size, recentness, performance and function of prior international entries. By looking at the collective impact of attributes, I argue that we can shed light on the overlooked nuance of interactions among distinct attributes and interdependencies among different entry modes as well as uncover the underlying reason for the lack of empirical consensus regarding the impact of experience in entry mode literature.

3. THEORY PAPER: TOWARDS THE ENTRY MODE PORTFOLIO THEORY OF MNEs

3.1. INTRODUCTION TO ENTRY MODE LITERATURE

3.1.1. ENTRY MODES & ENTRY MODE CHOICE

The decision of a firm to enter a foreign market is accompanied by its selection of an entry mode to perform a business function in that market (Erramilli & Rao, 1993). Entry modes are defined as the 'institutional arrangements for the organization and operation of international business activities or transactions' (Zhao, Luo & Suh, 2004:526). Entry modes represent a structural agreement through which a firm implements its marketing or both production and marketing operations independently or in collaboration with a host country partner (Morschett, Schramm-Klein & Swoboda, 2010).

Entry mode choice pertains to 'the initial preferences of Multinational National Enterprises (MNEs) when they decide to enter different foreign markets' (Tihanyi, Griffith & Russell, 2005:272). An internationalizing firm faces several alternatives ranging from non-equity modes such as licensing, franchising or contractual joint ventures to those that involve direct investments such as wholly-owned subsidiaries and joint ventures with a varying degree of ownership (Anderson & Gatignon, 1986). Essentially, the selection of an entry mode is a trade-off between the control that a firm desires to exert on its international operations and cost of resource commitment associated with a mode of entry (Anderson & Gatignon, 1986; Delios & Beamish, 1999).

The way the firm chooses to participate in the international context has been the central topic in International Business (IB) research (Shaver, 2013). In particular, entry mode choice is the third most researched field of international management (Morschett, et. al, 2010). The implications of entry modes on control, risks and resource commitment of an international entry (Delios & Beamish, 1999; Davis, Desai & Francis, 2000; Lu, 2002; Taylor, et. al, 1998) as well as on the success and survival of foreign operations (Zhao, et. al, 2004; Brouthers, 2002; Rodriguez, Uhlenbruck & Eden, 2005; Brouthers, et. al, 2003) underlies the voluminous investigation of entry mode selection. In addition, difficulties in post entry changes or corrections in entry modes indicate the importance of a mode choice decision and its long-term consequences (Brouthers & Hennart, 2007; Dow & Larimo, 2011).

3.1.2. CLASSIFICATION OF ENTRY MODES

A typical classification of entry modes is based upon the degree of control embodied within each mode of entry (Anderson & Gatignon, 1986; Kim & Hwang, 1992). Essentially, control is a key determinant of risk and return associated with each entry mode (Anderson & Gatignon, 1986). Besides playing a pivotal role in co-ordination, implementation and revision of firm's strategies, control assists in resolving the discord among transacting parties (Anderson & Gatignon, 1986). However, control entails certain costs and risks too such as decision-making responsibilities and resource commitments (Anderson & Gatignon, 1986). While decision-making responsibilities are not preferred in an uncertain institutional environment, resource commitments lead to switching costs and expose firms to several vulnerabilities (Anderson & Gatignon, 1986). The commonly employed control-based classification of entry modes is the Anderson and Gatignon's (1986) categorization that classifies entry modes into high-, medium- and low-control modes.

High-control entry modes consist of wholly-owned subsidiaries (WOSs) and dominant shareholder (one, few or many partners) (Anderson & Gatignon, 1986). The common representations of WOSs are greenfields and acquisitions that are characterized by hundred per cent equity holding of a foreign affiliate by internationalizing firm (Taylor, et. al, 1998). The extent of control in WOSs is greatest i.e. WOSs constitute full-control entry modes (Musteen, Datta & Herrmann, 2009). While greenfields represent start-ups or new facilities established by an MNE in a host country, acquisitions confer the foreign entrant with ownership of overseas operations through a complete or partial takeover of an existing firm (Johnson, Whittington, Scholes & Pyle, 2011; Kogut & Singh, 1988). In particular, a firm's choice between the acquisition of a local firm in host country and establishment of new facility i.e. greenfield is termed as the establishment mode choice (Brouthers & Hennart, 2007; Klier, et. al, 2017).

Medium-control entry modes include joint ventures (JVs) or equal partnerships with many or few partners (Anderson & Gatignon, 1986). A few non-equity entry modes such as contract management, contractual JVs, franchising, nonexclusive restrictive contracts and exclusive non-restrictive contracts are also subsumed under medium-control entry modes (Anderson & Gatignon, 1986). In particular, a JV is a common and separate organization created by a foreign entrant and its local partner in the host country (Kogut & Singh, 1988). Partners contribute and share assets, costs, risks and profits of a JV, though the proportion of contribution and total number of firms in JVs vary (Barnes, 2008; Kogut & Singh, 1988).

The third category of entry modes is low-control modes that include minority equity positions, nonexclusive, and non-restrictive contracts (Anderson & Gatignon, 1986). Both medium- and low-control entry modes represent shared-control modes. For instance, in JVs and licensing, control is shared between foreign entrant and its host country partner (Musteen,

et. al, 2009).

Anderson and Gatignon's (1986) categorization of entry modes is not exhaustive as scholars employ additional dimensions for classification of entry modes. The amount of equity invested in each entry mode has also been a commonly employed delineator for the categorization of entry modes (Tihanyi, et. al, 2005; Rodriguez, et. al, 2005). A higher percentage of equity endows the firm with a greater degree of control over operational and strategic decision-making associated with an international entry (Gatignon & Anderson, 1988). Typically, equity-based classification categorizes modes into equity and non-equity entry modes (Maekelburger, Schwens & Kabst, 2012; Tihanyi, et. al, 2005). Equity modes of entry consist of JVs and WOSs, while non-equity modes include exporting and licensing (Tihanyi, et. al, 2005). Specifically, exporting refers to the selling of the MNE's product to a target foreign country such that those products are manufactured outside that country (Taylor, et. al, 1998). In licensing, a MNE transfers its technology and management system or grants a limited right to a partner in a host country to use its brand name or manufacture its product (Johnson, et. al, 2011; Taylor, et. al, 1998).

Further, the amount of equity categorizes JVs into equity JVs and non-equity JVs (Hennart, 1988). Equity JVs refer to independent legal entities established from asset contributions of two or more sponsors that are remunerated from profits of that entity or proportional share of dividends (Hennart, 1988). Non-equity JVs include contractual arrangements such as licensing, distribution contracts, supply agreements, management and technical contracts (Tsang, 2000). In addition, equity JVs are classified into greenfield JVs and partial acquisitions (Hennart, 1991). Greenfield JVs are traditional joint ventures characterised by shared ownership, shared advantages and costs of newly created venture, wherein control is exerted by management placements and seats of JV board (Chari & Chang,

2009). In contrast, a partial acquisition i.e. an acquisition with the extent of equity less than hundred per cent, is relatively quick, does not lead to addition of capacity in industry and facilitates control mainly through board seats in local target firm (Chari & Chang, 2009).

Complementing Anderson and Gatignon's (1986) control-based classification, Meyer, Wright and Pruthi (2009b) employed the Resource-Based View (RBV) to categorize entry modes into low-, medium- and high resource-augmenting modes. Essentially, this classification is founded upon one of the RBV's internationalization objectives i.e. the augmentation or development of firm's knowledge for securing competitive advantage (Meyer, et. al, 2009b). Low resource-augmenting modes encompass consortium partnership, licensing, franchising, greenfield offices run with only expatriate professionals and other forms of contractual collaboration (Meyer, et. al, 2009b). A key attribute of these modes is the exploitation of headquarters' resources with limited organizational learning due to weak liaisons with local firms (Meyer, et. al, 2009b). Medium resource-augmenting modes engage in the simultaneous exploitation of firm's existing resources and leveraging of local resources (Meyer, et. al, 2009b). These modes include JVs with equal partnership, partial acquisitions with non-dominant shareholder and greenfields run with expatriate and local professionals which facilitates learning about host country environment (Pla-Barber, Villar & Leon-Darder, 2014). The third category is high resource-augmenting modes that facilitate the access to complex organizational embedded knowledge and complementary resources of target market firms through full acquisitions and dominant shareholding in partial acquisitions (Meyer, et. al, 2009b).

The academic attention in IB field has been largely devoted to only three types of entry modes i.e. licensing or contractual agreements, JVs and WOSs (Kim & Hwang, 1992). These three may be assumed as distinct forms of archetype entry mode structures namely

markets, hybrids and hierarchical modes respectively (Brouthers, et. al, 2008a). In particular, they represent an increasing degree of control and resource commitment (Padmanabhan & Cho, 1996). Licensing and contractual agreements constitute low-control entry modes characterized by transitory and low-level resource commitments (Musteen, et. al, 2009; Kim & Hwang, 1992). Low control modes mitigate risks and confer foreign entrants with flexibility for future strategies such as termination of contracts or buyouts of partners (Anderson & Gatignon, 1986; Musteen, et. al, 2009). However, they offer lower returns and restricted knowledge transfer due to lack of social integration mechanisms (Brouthers, et. al, 2008a; Musteen, et. al, 2009; Kim & Hwang, 1992).

In case of hybrids i.e. JVs, the level of control and resource commitment lies in between that of high- and low-control entry modes (Kim & Hwang, 1992). The interaction of two or more firms in hybrids necessitates the cooperation and consensus among various participant firms (Brouthers, et. al, 2008a). Owing to shared firm boundaries and shared absorptive capacities, hierarchical and hybrid modes are more efficient than market options in transferring knowledge (Brouthers, et. al, 2008a). Specifically, JVs face fewer exogenous environmental uncertainties, lower misevaluation and investment risks owing to its underlying mechanism of piecemeal combinations of assets, a shorter time investment horizon, pre-defined goals and dissolution plan (Lai, Chen & Chang, 2012).

For hierarchical modes such as WOSs (greenfields and acquisitions), the need of resource commitment, dedicated knowledge base and reliable information is substantial (Musteen, et. al, 2009). In addition, the self-governance of hierarchical modes enhances firm's flexibility for a timely response to changes in demand and competition. Particularly, this flexibility is not conferred by hybrid modes since they require renegotiation of contracts terms (Brouthers, et. al, 2008a). As hierarchical structures are effectively controlled and

managed by a single entity, the requirement of agreement or consensus is diffused (Brouthers, et. al, 2008a). Nevertheless, these modes are thwarted by environmental risks, retaliation by local players political uncertainties and acquisition premium, asymmetric information that interfere in valuation and post-acquisition implementation (Musteen, et. al, 2009; Dow & Larimo, 2011; Lai, et. al, 2012). Irreversible investments, higher switching costs, longer pay back periods and exit barriers also limit the strategic flexibility of full-control modes (Anderson & Gatignon, 1986; Musteen, et. al, 2009).

The above explanations suggest that entry modes differ in several attributes including risks, returns, enforceability of legal rights, convenience of knowledge transfer and extent of management of international operations (Brouthers, et. al, 2008a). A firm's choice of an entry mode is based upon several factors including corporate strategy, historical experience, host country characteristics, risks and returns from a foreign entry (Padmanabhan & Cho, 1996). Overall, the entry mode decision of an internationalizing firm is viewed as a trade-off between control and resource commitment associated with a mode of entry in an environment characterized by varying levels of risks and uncertainties (Delios & Beamish, 1999).

3.1.3. THEORETICAL PERSPECTIVES FOR ENTRY MODE CHOICE

Several theoretical perspectives underpin entry mode choice explanations such as Transaction Cost Economics (TCE), Dunning's eclectic framework, agency theory, Resource-Based View (RBV), Johnson and Vahlne's (1977) staged internationalization model, institutional theory, real options and resource dependency theory (Brouthers & Hennart, 20007). Among these, TCE, institutional theory, RBV and OLI framework are the most frequently employed theoretical anchors with TCE being the most influential stream of thought underlying the entry mode research (Brouthers & Hennart, 2007; Zhao, et. al, 2004).

3.1.3.1. TRANSACTION COST ECONOMICS

3.1.3.1.1. BACKGROUND

Transaction cost economics (TCE) is an interdisciplinary perspective built upon the insights derived from economics, law and organization theory (Williamson, 1985). A large proportion of entry mode research draws upon transaction cost explanations (Gatignon & Anderson, 1988; Erramilli & Rao, 1993; Zhao, et. al, 2004; Padmanabhan & Cho, 1996; Hennart, 1988; 1991; Makino & Neupert, 2000; Taylor, et. al, 1998; Kim & Hwang, 1992).

The basic premise of the TCE is cost minimization i.e. a firm selects an entry mode that minimizes overall transaction costs (Madhok, 1997; Brouthers, et. al, 2003; Puck, Holtbrugge & Mohr, 2009; Zhao, et. al, 2004; Taylor, et. al 1998). The key decision pertains to the efficiency of a transaction either within a firm i.e. vertical integration or externally through market governance or independent contractors (Geyskens, Steenkamp & Kuman, 2006). Transaction costs are the costs associated with finding an appropriate partner, operating and negotiating contracts, monitoring performance and enforcing behaviour of partners (Brouthers, 2002; Gatignon & Anderson, 1988; Williamson, 1985; Puck, et. al, 2009; Taylor, et. al, 1998). The mode of entry that facilitates asset utilization, economizes transaction costs and protects the rent potential of a firm from its dissipation to transacting parties is considered as the most efficient mode (Tsang, 2000; Gatignon & Anderson, 1988; Madhok, 1997; Delios & Beamish, 1999).

TCE perspective is founded upon two central behavioural assumptions i.e. bounded rationality and opportunism (Williamson, 1985; Geyskens, et. al, 2006). Bounded rationality refers to the limit on the capacity of individuals to enumerate conditions of exchange as well

as rights and responsibilities of each trading partner for all contingencies that may arise during the progress of a transaction (Besanko, Dranove, Shanley, & Schaefer, 2010; Williamson, 1985). As managers suffer from bounded rationality, contracts remain incomplete (Brouthers & Hennart, 2007). The estimation and incorporation of probable contingencies increase transaction costs associated with writing of contracts (Brouthers, 2002). The cost benefits such as economies of scale associated with market-based modes, therefore, decline which transforms markets into expensive strategies (Brouthers, 2002).

The incompleteness in a contract creates a room for ambiguity that may be leveraged by a trading partner for its private benefits at the expense of other parties (Besanko, et. al, 2010). This behavioural tendency is known as opportunism i.e. the second critical assumption of the TCE perspective (Williamson, 1985). Opportunism is manifested in a transaction party's attempt to hold up its partner by becoming inflexible and demanding renegotiation of terms of contracts (Anderson & Gatignon, 1986; Besanko, et. al, 2010). Specifically, holdup tendencies evolve from a party's self-interest to secure profits by deploying its transaction-specific assets in their intended use only (Williamson, 1985; Besanko, et. al, 2010; Anderson & Gatignon, 1986). The anticipation of holdup may propel firms to develop safeguard mechanisms and secure a better post-contractual bargaining position through various measures (Besanko, et. al, 2010). These measures include frequent negotiations, stipulating formal safeguards, investing in stand-up production units, securing alternative sources of inputs, restricted sharing of information and underinvestment in specific assets (Errramili & Rao, 1993; Besanko, et. al, 2010). Therefore, besides interfering in the self-enforcement of contracts (Williamson, 1985; Maekelburger, et. al, 2012), opportunism and safeguard mechanisms inflate overall transaction costs (Besanko, et. al, 2010)

The presence of transaction-specific assets is the key factor that underlies opportunism (Gatignon & Anderson, 1988). Transaction-specific assets, also known as asset specificity, is one of the core TCE attributes. Transaction-specific assets are physical and human investments that are specific and critical to a transaction (Anderson & Gatignon, 1986; Williamson, 1985). The redeployment of transaction specific assets i.e. outside the intended transactional context leads to either a decline in their productivity or adaptation to a new task (Anderson & Gatignon, 1986; Williamson, 1985; Zhao, et. al, 2004; Geyskens, et. al, 2006). Hence, asset specificity locks transacting parties to some extent and leads to safeguarding problems for firm's capabilities (Gatignon & Anderson, 1988). TCE, in alignment with its cost minimization objective, suggests that firms with high asset specific products or services establish high-control entry structures or engage in vertical integration in order to avoid difficulties and costs associated with opportunism (Gatignon & Anderson, 1988; Errramili & Rao, 1993; Taylor, et. al, 1998). In particular, authority relationships and hierarchical control procedures in vertical integration enable firms to safeguard their capabilities (Geyskens, et. al, 2006).

The second core attribute of the TCE perspective is uncertainty i.e. both internal and external uncertainty. Behavioural or internal uncertainty is defined as the extent of the difficulty experienced in verifying the compliance and performance of contractual agreements (Boeh & Beamish, 2012; Brouthers & Hennart, 2007). In particular, this difficulty stems from an MNE's inability to determine performance through observable and readily available output parameters, unavailability of appropriate measures of output and lack of clarity of between inputs and outputs (Anderson & Gatignon, 1986). Importantly, internal uncertainty underlies opportunistic tendencies such as free riding, dissemination, shirking and distortion of information (Williamson, 1985).

A firm experiencing internal uncertainty directs its efforts towards monitoring of contract partners, enforcement of agreements and imperfect measurement (Gatignon & Anderson, 1988). Thereby, increasing the overall transaction costs and inducing firms to adopt vertical integration or high-control entry modes that facilitate subjective judgments and monitoring of inputs instead of outputs (Gatignon & Anderson, 1988). Specifically, vertical integration allows a greater degree of control that alleviate performance evaluation problems (Geyskens, et. al, 2006). An MNE with substantial international experience is assumed to be less vulnerable to internal uncertainty (Zhao et. al, 2004). As a firm garners international experience, it secures knowledge and confidence critical for making qualified judgments about potential risks and returns from its foreign affiliates (Anderson & Gatignon, 1986). A firm, thus, gradually moves from proximate culturally similar markets to distant and different countries as well as engages in the active management of foreign entity through a greater degree of control unperturbed by internal uncertainty (Anderson & Gatignon, 1986).

External uncertainty refers to the volatility or unpredictability of external environment that constrains a firm's ability to enumerate all possible eventualities and actions of partners in a contract (Gatignon & Anderson, 1988; Williamson, 1985; Zhao, et. al, 2004). External uncertainty arises from various political, legal, cultural, and economic factors including government's barriers to entry, restrictions on foreign transfer of goods or profits, economic fluctuations and difference in market environment of home and host country (Brouthers, et. al, 2008a; Gatignon & Anderson, 1988; Brouthers & Brouthers, 2003). In an uncertain environment, low-control or market-based modes avoid huge resource commitments and maintain firm's flexibility for renegotiation of contracts in subsequent environmental shifts (Brouthers & Brouthers, 2003). Therefore, low-control modes incur lower transaction costs in a volatile and unpredictable environment (Anderson & Gatignon, 1986; Brouthers & Brouthers, 2003). However, as transaction-specific assets accumulate, flexibility provided by

low-control modes is lost (Anderson & Gatignon, 1986). External uncertainty coupled with potential opportunism due to high asset specificity deprives the firm of flexibility in subsequent adaptation, thereby, favouring a certain degree of control that increases with specificity (Gatignon & Anderson, 1988; Brouthers, et. al, 2008a). Country risk and cultural distance are the most frequently employed constructs for external uncertainty (Brouthers & Hennart, 2007).

Frequency of transactions forms the third attribute of TCE reasoning that determines extent to which transaction recur and impact the selection of entry structures (Williamson, 1985; Geyskens, et. al, 2006). Frequency is defined as the 'distinction between one-time and recurrent exchange' (Klein, Frazier, & Roth, 1990:198). For transactions characterized by low frequency, market modes are likely to be adopted by a firm due to less frequent need to negotiate contractual agreements (Taylor, et. al, 1998). However, for larger and frequent transactions, the need to negotiate and contract is significant that increases transaction costs and encourages a firm to employ high-control entry structures (Taylor, et. al, 1998). The benefits of integration are maximum when there is a substantial investment in transaction-specific assets that recovers the cost of integration through recurring and/or large transactions (Williamson, 1985). Therefore, the volume of transactions i.e. their frequency and size justify the integration (WOSs) of transactions within firm and its fixed costs (Brouthers & Hennart, 2007). Overall, asset specificity, uncertainty and frequency tend to elevate transaction costs and together they create a market failure, which makes vertical integration as more efficient proposition than market governance (Geyskens, et. al, 2006).

3.1.3.1.2. EMPIRICAL FINDINGS

Asset specificity is the central TCE variable employed for explaining the choice of an entry mode. However, empirical studies exhibit disparate results regarding its impact (Maekelburger, et. al, 2012; Puck, et. al, 2009; Palenzuela & Bobillo, 1999). A group of findings conform to the TCE's assertion that high asset specificity is positively related to firm's preference for WOSs or high-control modes (Larimo & Arslan, 2013; Gatignon & Anderson, 1988; Erramilli & Rao, 1993; Brouthers & Brouthers, 2003; Brouthers et. al, 2003; Padmanabhan & Cho, 1996; Hennart & Larimo, 1998; Lu, 2002; Klein, et. al, 1990; Chen & Hu, 2002). In contrast, a few studies revealed that firms preferred a reduced level of control with an increase in asset specificity (Delios & Beamish, 1999; Palenzuela & Bobillo, 1999). Another set of TCE–based studies found no relationship between asset specificity and choice of an entry mode (Brouthers & Brouthers, 2003; Delios & Beamish, 1999; Hennart & Larimo, 1998; Kim & Hwang, 1992; Taylor, et. al, 1998; Brouthers, 2002; Hennart, 1991). Therefore, TCE-based empirical studies are fraught with heterogeneous findings regarding the influence of asset specificity on future entry mode selection.

Likewise, previous findings regarding the impact of internal uncertainty are mixed and divergent (Brouthers, 2002; Brouthers & Brouthers, 2003; Brouthers et. al, 2003). A group of scholars that link internal uncertainty and experience revealed that decrease in internal uncertainty through accumulation of experience is associated with firm's preference for WOSs (Gatignon & Anderson, 1988; Padmanabhan & Cho, 1996; Hennart, 1991; Delios & Beamish, 1991; Luo, 2001; Kim & Hwang, 1992). However, a few others did not find a statistically significant relationship between internal uncertainty and selection of an ownership structure (Brouthers, et. al, 2003; Padmanabhan & Cho, 1996; Brouthers & Brouthers, 2003). Another set of findings showed that firms adopt lower ownership levels or

shared control modes when they experience internal uncertainty (Brouthers & Brouthers, 2003; Delios & Beamish, 1999).

Empirical results concerning the influence of external uncertainty i.e. country risk and cultural distance on mode choice decision are too heterogeneous. A group of TCE-related findings revealed a positive relationship between cultural distance and the likelihood of full ownership or high-control modes (Padmanabhan & Cho, 1996; Taylor, et. al, 1998; Erramilli, 1996; Barkema & Vermeulen, 1997). In contrast, empirical research undertaken by Kogut and Singh (1988), Kim and Hwang (1992), Hennart and Larimo (1998) and Brouthers and Brouthers (2001) demonstrated that firms were more inclined to establish JVs or low-control modes in culturally distant countries. For country risk, Gatignon and Anderson (1988), Kim and Hwang (1992) and Brouthers and Brouthers (2003) showed that in high-risk destinations, firms avoided complete ownership of foreign affiliates. However, Delios and Beamish (1999) and Erramilli and Rao (1993) were unable to determine a consistent impact of country risk and a significant relationship between environmental uncertainty and entry mode choice.

With respect to the frequency of transactions, there are only few studies that examine its impact on mode selection. Klein and colleagues (1990) found a positive association between frequency and channel integration i.e. level of integration in the distribution channel for international markets. Another study showed that frequency of transactions was positively associated with higher control or a greater degree of channel integration (Taylor, et. al, 1998). Overall, there is only little empirical research that tends to focus upon the impact of frequency of transactions on mode of entry choice.

3.1.3.1.3. LIMITATIONS & FUTURE DIRECTIONS

While the significance of the TCE in entry mode explanations is widely acknowledged, this frequently employed theory has several drawbacks. The empirical research based upon the TCE is afflicted with measurement inequivalence that leads to incongruent and divergent findings regarding mode of entry choice (Zhao, et. al, 2004). In particular, the heterogeneous impact of asset specificity on entry mode decisions is largely attributed to its distinct levels and types utilized for its measurement in empirical studies (Brouthers & Hennart, 2007). While different levels of asset specificity include industry-level indicators and firm-level indicators, distinct types refer to R&D intensity, advertising intensity, technology asset specificity, human asset specificity, physical asset specificity and dedicated asset specificity (Brouthers & Hennart, 2007; Delios & Beamish, 1999; Kim & Hwang, 1992)

Likewise, internal uncertainty is measured through several experience and non-experience based constructs that lead to mixed findings (Brouthers & Hennart, 2007). Experience related measures encompass the total number of foreign investments (Gatignon & Anderson, 1988; Delios & Beamish, 1999; Gomes-Casseres, 1989), number of years of firm's presence in a host country (Hennart, 1991; Luo, 2001), number of years of worldwide experience (Padmanabhan & Cho, 1996) and export intensity (Delios & Beamish, 1999). Additionally, non-experience-based measures include perceived costs of finding, negotiation and monitoring contracts (Brouthers, 2002; Brouthers, et. al, 2003), perceived difficulty in writing and enforcing contracts, monitoring and controlling product/service quality and controlling the dissemination of proprietary knowledge (Brouthers & Brouthers, 2003; Brouthers, et. al, 2003).

A significant variation also exists in the way key constructs of external uncertainty i.e.

country risk and cultural distance are computed. Country risk is calculated through several measures such as Euromoney Country Risk index, Frost and Sullivan Country Risk Guide, industry growth and industry concentration ratio (Brouthers & Hennart, 2007). Other measuring instruments of country risk include size of market, perceived measures of target market volatility and diversity, perceived market potential and perceived political and economic stability (Delios & Beamish, 1999; Makino & Neupert, 2000; Gomes-Casseres, 1989; Brouthers, 2002; Brouthers et. al, 2003; Kim & Hwang, 1992). Likewise, cultural distance is computed through diverse measures including Kogut and Singh's (1988) cultural index, GLOBE study's cultural dimensions (Gollnhofer & Turkina, 2015; Swoboda, Elsner & Olejnik, 2015), perceived similarity in cultures and familiarity with a country (Erramilli & Rao, 1993; Brouthers, 2002; Kim & Hwang, 1992; Padmanabhan & Cho, 1996).

Future studies can enhance the scope of TCE by investigating the influence of frequency of transactions on boundary decisions, especially, the choice between WOSs and JVs (Brouthers & Hennart, 2007). There is a limited TCE-based research on emerging economies, industry and competitive analysis which offers interesting research directions (Ferreira, Pinto & Serra, 2014). The unbundling of uncertainty construct and studying differential impact of its dimensions is critical to further the understanding on implications of uncertainty (Klein, et. al, 1990; Geyskens, et. al, 2006). Prospective studies can examine the position of external uncertainty as a virtual country or a location-specific entity and investigate the influence of its additional facets including unpredictability, complexity, volume, technological and volatility on entry mode choice (Zhao et. al, 2004; Klein, et. al, 1990). For asset specificity, R&D intensity for a specific country can serve as an enhanced proxy rather than the overall R&D (Zhao, et. al, 2004). In addition, measurement inequivalence for internal uncertainty can be resolved by creating a composite construct that captures nuances of existing measures of internal uncertainty (Zhao, et. al, 2004).

3.1.3.2. RESOURCE-BASED VIEW

3.1.3.2.1. BACKGROUND

The Resource-Based View (RBV) perceives a firm as a bundle of unique resources and capabilities (Eisenhardt & Schoonhoven, 1996). RBV suggests that the primary task of the management is to maximize value through optimal deployment of existing resources and capabilities (Eisenhardt & Schoonhoven, 1996; Erramilli, et. al, 2002). Firm-specific resources are the resources controlled by firms that facilitate the realization and implementation of firm's strategies in order to improve the efficiency and effectiveness of a firm (Barney, 1991). These include tangible and intangible resources such as physical capital, human capital and organizational capital resources tied semi-permanently to the firm (Dev, Erramilli & Aggarwal, 2002; Hollender, et. al, 2017). Firm-specific capabilities encompass complex combinations of skills and knowledge embedded in cognitive processes and routines through which firms exploit their assets to create value and gain advantages (Ekeledo & Sivakumar, 2004; Hollender, et. al, 2017). According to RBV, firm's resources and capabilities that are valuable, rare, hard to imitate and substitute, facilitate a sustained competitive advantage and greater firm performance (Hollender, et. al, 2017).

RBV departs from traditional models that focus on environment, structural characteristics of an industry, homogeneity and high mobility of resources (Barney, 1991). In particular, RBV explains the link between firm's internal characteristics and performance by recognizing heterogeneity and imperfect mobility of resources (Barney, 1991; Ekeledo & Sivakumar, 2004). According to RBV, competitive advantage of a firm lies in firm-specific resources and specialized relationships among them that drive business strategy (Das & Teng, 2000; Tan, et. al, 2001; Ekeledo & Sivakumar, 2004).

Evolving from the concepts of RBV, Organizational Capability (OC) perspective suggests that the driving force that underlies ownership strategies is the efficient utilization and development of firm's resources and capabilities in order to achieve a sustainable competitive advantage (Madhok, 1997). The entry mode choice depends upon operational context and firm's existing stock of resources and capabilities (Aulakh & Kotabe, 1997). For a firm that possesses a strong knowledge base and established routines with marginal incremental costs, internalization forms a pertinent choice (Madhok, 1997). However, endeavor into an unfamiliar sphere of activity that incurs substantial information acquisition, interpretation and absorption costs, collaborations are more appropriate as they facilitate knowledge integration and overcome knowledge gaps (Madhok, 1997).

An outgrowth of resource-based thinking is the Knowledge-Based View (KBV) that extends the concept of resources to include intangible assets, specifically, knowledge-based resources that can be acquired, transferred, or integrated for a sustainable competitive advantage (Eisenhardt & Santos, 2002). KBV considers knowledge as the most strategically significant resource of a firm. According to KBV, a firm is a knowledge integrating institution in which multiple individuals integrate their specialist knowledge to generate organizational capability through complex team-based productive activities (Grant, 1996).

The availability of specific resources and scarcity of required resources differentiates one firm's strategy from another's. The fundamental assumption of RBV is sole ownership until proven otherwise (Ekeledo & Sivakumar, 2004). As a firm is unable to build all the necessary knowledge and competencies internally, it tends to acquire them from external sources by selecting an appropriate mode of entry (Mutinelli & Piscitello, 1998). Entry mode selection serves as a key mechanism to create and transform firm's resources and capabilities (Hollender, et. al, 2017).

According to resource-based rationale, key objectives underlying firm's international strategy are exploitation of existing assets and augmentation of resources (Meyer, et. al, 2009b). While exploitation of assets requires the transfer of tacit knowledge embedded in individuals, augmentation of resources is realized through collaborations that facilitate organizational learning and access to complementary knowledge (Meyer, et. al, 2009b). The assessment of firm's resource base i.e. existing resources and capabilities and its objectives of leveraging those resources or developing new determine its mode of entry choice (Pla-Barber, et. al, 2014; Klier, et. al, 2017). Entry mode selection may also be viewed as the outcome of firm's strategy to combine the exploitation of existing assets and augmentation of resources in order to secure competitive advantage and develop new capabilities in international context (Pla-Barber, et. al, 2014). Importantly, JVs assist in fulfilling these two key objectives i.e. development and exploitation of resources (Tsang, 2000). By facilitating the access to enhanced knowledge and capabilities, efficient management of resources and learning opportunities, JVs actualize the first objective that pertains to the development of resources (Ekeledo & Sivakumar, 2004; Tsang, 2000). The second objective i.e. exploitation of resources is also realized through JVs as they allow the firm to exploit dormant resources and draw upon partner's capabilities through permeable boundaries (Tsang, 2000).

According to RBV, international experience is an intangible firm-specific resource which is tacit and possesses VRIN characteristics i.e. valuable, rare, hard to imitate and substitute resource which facilitates firm's competitive advantage (Hollender, et. al, 2017). In particular, international experience is valuable as it elevates the firm's understanding regarding foreign consumers and imbibes the skill within the firm to anticipate and respond to changes in host country (Hollender, et. al, 2017). The rarity of internationally experienced managers and unique historical conditions of a firm makes international experience as a rare, hard to imitate and substitute resource (Hollender, et. al, 2017). In consistence with this,

scholars consider host country experience as experience-based resource and suggest that firms that possess extensive host country experience are more likely to employ acquisitions as firms overcome monitoring and integration problems in that country (Klier, et. al, 2017). Foreign entrants that lack target country experience may also prefer acquisitions in order to secure knowledge of the host country through the acquired entity (Klier, et. al, 2017).

3.1.3.2.2. EMPIRICAL FINDINGS

The application of the RBV in entry mode studies encompasses the influence of firm-specific resources such as proprietary technology, business experience, product superiority, foreign market skills, organizational culture and company reputation on mode choice decision (Brouthers & Hennart, 2007; Mutinelli & Piscitello, 1998; Ekeledo & Sivakumar, 2004; Tan, et. al, 2001). A few studies have investigated the impact of firm resources and their attributes on mode choice decision as well as factors that effect the transfer of resources across entry modes (Erramilli, et. al, 2002; Dev, et. al, 2002). Besides serving as theoretical anchor for entry mode studies, RBV has been employed to categorize entry modes into i.e. low, medium and high resource-augmenting modes (Meyer, et. al, 2009b). This classification is based upon the resource-augmentation potential of firm-specific resources (Meyer, et. al, 2009b).

Empirical findings reveal that firms that possess resources including superior product, process or management technology, specialized assets and culture that facilitate competitive advantage utilize full control modes or sole ventures to enter a foreign market (Ekeledo & Sivakumar, 2004). However, Hennart and Reddy's (1997) analysis revealed that MNEs employ JVs in order to gain resources embedded in other firms. The meta-analysis of firm resources and establishment mode choice suggest that firms in possession of technological resources preferred greenfields in order to leverage their competitive advantage and safeguard

their proprietary resources in a foreign country, however, marketing resources did not exert a significant impact on the selection between greenfield and acquisitions (Klier, et. al, 2017). Further, Mutinelli and Piscitello (1998) showed that firms endowed with foreign market skills and product superiority preferred WOSs. However, firm's reputation was found to exert a negative influence on the likelihood of higher-control modes or WOSs (Mutinelli & Piscitello, 1998). Additionally, the requirement of complementary resources in a host country facilitated the likelihood of shared-control modes i.e. JVs with a local partner (Mutinelli & Piscitello, 1998).

Another group of RBV-based studies including Aulakh and Kotabe (1997), Ekeledo and Sivakumar (2004) and Mutinelli and Piscitello (1998) examined the influence of firm's key resource i.e. experience. Their findings indicated that firms with greater experience were more inclined to employ full-control modes (Ekeledo & Sivakumar, 2004; Mutinelli & Piscitello, 1998) or greater degree of channel integration in foreign markets (Aulakh & Kotabe, 1997). However, less experienced firms preferred JVs in order to secure information about host country's economy and environment (Mutinelli & Piscitello, 1998). In particular, Klier, et. al (2017) revealed firms that have extensive host country experience preferred acquisitions in that country. Additionally, in culturally distant location where MNEs do not possess extensive country specific experience and experiential knowledge, they were more inclined to employ high resource-augmenting modes to garner information regarding cultural specificities and institutional context as well as to mitigate vulnerabilities of imperfect transfer of organizational knowledge to third parties (Klier, et. al, 2017).

Further, imperfect imitability was found to enhance the adoption of management contracts over franchising (Erramilli, et. al, 2002; Dev, et. al, 2002). As imperfect imitability is embedded within organizational routines and relationships, it is effectively transferred

through social interactions and organizational processes in management contracts (Erramilli, et. al, 2002; Dev, et. al, 2002). Additionally, He, Brouthers and Filatotchev (2013) found that firms with stronger Market Orientation (MO) capabilities had more inclination for hierarchical channels of exporting. Overall, there is only little research that employs RBV as the theoretical reasoning in the analysis of entry mode decisions.

3.1.3.2.3. LIMITATIONS & FUTURE DIRECTIONS

RBV entails several drawbacks that thwart the reliability of its findings and conclusions. Empirical studies employ different time frames and distinct types of experience that lead to inconsistent findings regarding the influence of experience on mode selection (Ekeledo & Sivakumar, 2004). There are dichotomous opinions regarding the influence of marketing resources on establishment mode choice (Klier, et. al, 2017). While one rationale suggests that firms that possess extensive marketing resources are more likely leverage to them independently, the other asserts that abundant marketing resources shapes MNEs preference for acquisitions which allows the firm to extract synergies by combining existing brands with brands of local acquired firm (Klier, et. al, 2017).

Additionally, several measures of inimitability including causal ambiguity, time compression economies, learning costs and social complexity are utilized in the analysis of firm-specific resources (Newbert, 2007). There is also a growing recognition that Barney's (1991) assertion that resources must possess valuableness (V), rarity (R), imperfectly imitability (I) and non-substitutability (N) to confer a sustained competitive advantage is a necessary but not a sufficient condition (Newbert, 2007). There are also only few entry mode-based studies that examine the measurement, application and testing of resources-based advantages (Brouthers & Hennart, 2007). Prior focus has been limited to just a few resources

and their influence on firm's establishment mode selection, even though, there exist diverse resources (Klier, et. al, 2017).

There exists an immense scope to expand the horizons of RBV from its conceptual and descriptive application to a profound and a systematic empirical research (Ekeledo & Sivakumar, 2004; Brouthers & Hennart, 2007). The way forward for prospective studies is to differentiate between competitive advantage and performance as a resource-based advantage may not transform into firm performance (Newbert, 2007). Exploring boundary conditions regarding effect of resources on firm's establishment mode choice could yield novel insights (Klier, et. al, 2017). Future research could also streamline several measures of operationalized resources and quantify capabilities and competencies (Newbert, 2007). Additionally, uniformity in different types of experience can alleviate divergent findings concerning the impact of experience on degree of control sought (Ekeledo & Sivakumar, 2004).

3.1.3.3. INSTITUTIONAL THEORY

3.1.3.3.1. BACKGROUND

Institutional theory is a non-efficiency perspective that throws light on the influence of the host country's institutional environment on boundary choices of a firm (Brouthers & Hennart, 2007; Kostova & Zaheer, 1999). Institutional perspective has evolved from conventional elements in host country's environment such as legal restrictions, intellectual property protection and cultural differences to the new institutional theory (NIT) that takes into account the regulative, normative and cognitive dimensions of the institutional context (Yiu & Makino, 2002; Brouthers & Hennart, 2007; Kogut & Singh, 1988; Scott, 1995).

Institutions consist of formal and informal rules i.e. specified and unspecified code of conduct that structures human interactions and organizational action (North, 1990). A firm must conform to both formal and informal rules of the host country's institutional environment for survival and legitimacy (Xu & Shenkar, 2002; Chan & Makino, 2007). In particular, legitimacy of foreign units refers to their acceptance by host country's institutional environment or its legitimating actors (Chan & Makino, 2007). Besides determining the legitimacy of organizational activities of foreign firms, legitimating actors grant resources to accepted firms to sustain their business functions (Kostova & Zaheer, 1999; Chan & Makino, 2007).

The extent of similarity or dissimilarity between the institutional environments of home and host country refers to institutional distance (Gaur, Delios & Singh, 2007; Xu & Shenkar, 2002). The differences between home and host country's institutional contexts impact foreign entrant's operations, control, co-ordination, management of people, government interactions and knowledge transfer across borders (He, et. al, 2013; Arslan & Larimo, 2010; Gaur, et. al, 2007). A greater institutional distance affects inter-firm communication and understanding of institutional requirements as well as the extent of adjustment to be made by an MNE (Kostova & Zaheer, 1999; He, et. al, 2013). In an institutionally distant location, the transfer of organizational practices and establishment of legitimacy of foreign affiliate are thwarted (Xu & Shenkar, 2002). A firm selects an entry mode according to its perception to control risks and uncertainties that evolve from different aspects of institutional environment (Ahmed, Mohamad, Tan & Johnson, 2002).

Historically, host country's political and economic risk was the key institutional variable employed to determine the influence of institutional environment on mode choice decision (Ahmed, et. al, 2002; Delios & Beamish, 1999; Brouthers, 1995). A firm tries to

exert control over its overseas operations through high ownership levels in order to mitigate risks experienced in a host country (Delios & Beamish, 1999). However, a greater level of risk and uncertainty induces the firm to adopt low ownership structures or JVs that transfer responsibility, control and risk to a local partner (Ahmed, et. al, 2002; Delios & Beamish, 1999). In particular, risk is multidimensional and consists of three key dimensions i.e. general environment uncertainty, industry risk and firm-specific risk (Ahmed, et. al, 2002; Brouthers, 1995). Therefore, considering of one type of risk can lead to an inappropriate entry mode choice (Ahmed, et. al, 2002; Brouthers, 1995). As entry modes represent a strategic and long-term decision, the selection of a mode should be based upon strategic risks that impact long-term profitability of a firm (Brouthers, 1995).

Legal restrictions is another institutional variable that creates barriers to foreign entry (Delios & Beamish, 1999). Legal restrictions constrain the firm's ability to exploit or augment capabilities, thereby, limiting equity holdings or facilitating firm's preference for JVs (Brouthers, 2002; Delios & Beamish, 1999). Additionally, in an institutional environment with a weak intellectual property protection, firms prefer high ownership levels to obviate high transaction costs associated with the protection of proprietary knowledge and assets from unwanted dissemination (Delios & Beamish, 1999).

Past entry mode studies have also identified uncertainty as a function of national cultural characteristics of home country of MNE and cultural distance between home country and country of operation (Hennart & Larimo, 1998; Kogut & Singh, 1988). Firms from countries with high level of uncertainty avoidance prefer JVs or greenfields as they associate greater uncertainty with the management of an acquired firm that is institutionalized in a host country (Kogut & Singh, 1988). However, firms that have their origins in high power distance societies are inclined towards WOSs (Shane, 1993; Erramilli, 1996). Their less

willingness to share decision-making and lack of trust underpins their employment of hierarchy and centralization of power for monitoring and mitigating job shirking behavior (Shane, 1993; Erramilli, 1996).

The impact of cultural distance is founded upon the assumption that cultural differences inflate the costs of entry (Shane, 1993). Specifically, cultural distance thwarts the certainty of managerial decision-making, operational benefits, management of diverse employee base and firm's ability to transfer core competencies (Shane, 1993; Cho & Padmanabhan, 2005; Brouthers & Brouthers, 2001). In case of JVs or acquisitions, MNEs are required to not only learn about host country culture but also adjust with an alien corporate culture and integrate with foreign management i.e. double-layered acculturation (Barkema, Bell & Pennings, 1996; Kogut & Singh, 1988).

One group of scholars suggests that for higher cultural distance, firms should employ JVs, while the other group advocates the creation of WOSs for a greater cultural distance (Cho & Padmanabhan, 2005). The former viewpoint is based upon the advantages that stem from JVs such as the exploitation of local partner's familiarity and reduction of political complications by sharing of culturally sensitive tasks with local strategic partners (Brouthers & Brouthers, 2001; Hennart & Larimo, 1998; Cho & Padmanabhan, 2005; Kogut & Singh, 1988). However, the employment of WOSs is ascribed to inexpensive transfer of organizational practices and evasion of conflicts that pertain to the sharing of proprietary assets and costs of integration that exacerbate in jointly owned affiliates or acquisitions (Kogut & Singh, 1988; Cho & Padmanabhan, 2005).

Even though these diverse institutional variables shed light on mode choice decision, a common theoretical basis for selection of appropriate institutional factors does not exist (Brouthers & Hennart, 2007). Recently, scholars have begun to employ the New Institutional

Theory (NIT) to refine the understanding on firm's foreign investment behavior in institutional contexts. NIT conceptualizes national environment in three fundamental domains i.e. regulative, cognitive and normative domains (Scott, 1995; Brouthers & Hennart, 2007; Kostova, Roth & Dacin, 2008). These distinct domains influence business operations and structures through their respective isomorphic pressures that demand a conformance by MNEs to acquire legitimacy (Brouthers & Hennart, 2007). A central tenet of the institutional theory is that organizations achieve legitimacy by adopting structures and strategies that are similar or isomorphic to other organizations in that institutional context (Mas-Ruiz, Ruiz-Conde & Calderón-Martínez, 2018). The institutional environment of host country evaluates the acceptable behaviour and subsequent course of action for MNEs (Huang & Strenquist, 2007).

Essentially, the selection of an entry mode is a consequence of the response to isomorphic pressures generated by firm's internal and external institutional environment (Yiu & Makino, 2002; Lu, 2002). The internal institutional environment includes a network of relationships of foreign business unit with parent and other subsidiaries that generate internal isomorphic pressure (Lu, 2002; Davis, et. al, 2000). This pressure exerts the adoption of firm's habitual behaviours developed over a period of time and encourages the selection of entry mode aligned with institutionalized practice that yields stability and resistance to the change, thereby, making a unit isomorphic to parent organization or other subsidiaries (Yiu & Makino, 2002; Davis, et. al, 2000; Swoboda, et. al, 2015). The external environment of a unit represents a shared context that consists of manufacturers, consumer firms, subsidiaries of other MNEs and host governments (Davis, et. al, 2000). These entities create reciprocal relationships with foreign unit and exert an external isomorphic pressure (Davis, et. al, 2000). The external isomorphic pressures demand the conformance of MNEs to institutional demands of host countries i.e. regulatory structures, agencies, laws, courts, professions,

interest groups and public opinion (Yiu & Makino, 2002; Davis, et. al, 2000). Specifically, isomorphic pressures evolve from regulative, normative and cognitive pillars of the institutional environment (Yiu & Makino, 2002).

Regulative domain includes processes such as rule setting, enforcement, monitoring, and sanctioning rewards or punishments in order to ensure order and stability in a society (Scott, 1995). Formal rules and regulations concerning intellectual property regime, judicial system and antitrust regulations are explicitly stated and are easier to understand (Gaur, et. al, 2007; Kostova & Zaheer, 1999). In regulatory domain, legal sanctioning forms the basis of legitimacy (Scott, 1995; Xu & Shenkar, 2002). In other words, a firm must conform to rules, legal or quasi-legal requirements in order to secure a legitimate right to establish and conduct business operations (Lu, 2002; Yiu & Makino, 2002; Xu & Shenkar, 2002). The regulative institutional distance refers to the differences in legal institutions, formal rules and regulations of the home base of MNE and its country of operation (Arslan & Larimo, 2010).

For a small regulative distance or a similar regulative environment as that of home country, MNEs prefer WOSs (Yiu & Makino, 2002) or majority JVs (Xu & Shenkar, 2002). However, differences in regulative institutions create risks and uncertainties that induces a firm to adopt low-control modes such as minority JVs (Xu & Shenkar, 2002) or JVs that entail less regulatory requirements than those required for WOSs (Arslan & Larimo, 2010). Particularly, JVs offer several advantages in a restrictive or unfavourable regulatory environment (Yiu & Makino, 2002). Besides mitigating the liabilities of foreignness, JVs enable foreign entrants to leverage reputational advantages of local partners, their knowledge and skills of dealing with institutional authorities (Yiu & Makino, 2002). Shared equity modes, thus, signal the legitimacy of foreign affiliates and allow MNEs to leverage partner's

competitive advantage in an institutionally distant or restrictive location (Xu & Shenkar, 2002; Yiu & Makino, 2002).

The normative dimension refers to the collective understanding of the people in a society that determines socially accepted or appropriate economic behaviour (Scott, 1995). Normative aspects constitute the informal attributes of institutional environment that are rooted in values, beliefs, culture and norms of a society (Gaur, et. al, 2007). Normative institutional distance refers to the differences in informal rules, social obligations, culture, governance transparency, political responsiveness and economic realities between home country of a MNE and its country of operation (Arslan & Larimo, 2010; Gaur, et. al, 2007). The tacit characteristic of normative aspects makes them opaque to investing firm (Arslan & Larimo, 2010). For normative domain, legitimacy evolves from the congruence between social values and organizational values (Kostova & Zaheer, 1999). Host country's preference for stereotypes, prejudicial standards and aggression by local interest groups determines the legitimacy of a foreign unit (Rodriguez, et. al, 2005).

The violation of established norms and societal expectations can thwart the social acceptance and legitimacy of the foreign affiliate (Xu & Shenkar, 2002; Arslan & Larimo, 2010; Scott, 1995). Social acceptability and credibility are imperative for the survival of foreign organizations (Huang & Strenquist, 2007). Therefore, conformance to normative aspects is required to safeguard an MNE from vulnerabilities that evolve from local interest groups, stereotypes and different standards for foreign firms (Yiu & Makino, 2002). Firms often adopt social-sector-based approach that influences social groups and provide socially valuable goods or services in a host country with greater political risks (Darendelu & Hill, 2016).

A key normative aspect, corruption, in particular its two dimensions, pervasiveness and arbitrariness influence organizational legitimacy and mode of entry choice (Rodriguez, et. al, 2005). A greater pervasiveness of corruption in a host country i.e. the average likelihood that MNE will face corruption during its interactions with state, induces MNEs to establish WOSs as collaborations or partnering does not necessarily reduce the likelihood or costs of encountering corruption in a state where corruption is socially valid (Rodriguez, et. al, 2005). Foreign entrants gain external legitimacy simply by conforming to the practices of corrupt environment, without the need of local partner (Rodriguez, et. al, 2005). In contrast, a greater arbitrariness of corruption i.e. extent of the ambiguity associated with corrupt transactions, shapes MNEs preference for JVs as arbitrariness increases the complexity of institutional environment through varied interpretation of law and informal policies, multiplicity of corrupt agents and several conflicting pressures (Rodriguez, et. al, 2005). Hence, MNEs need social networks and relational trust as their coping mechanisms through a local joint venture partner which enables them to deal with uncertain and non-transparent rules and regulations (Rodriguez, et. al, 2005).

Further, cultural distance and culture ethnocentricity of the host country can create impediments in achieving social legitimacy (Yiu & Makino, 2002). While culture ethnocentricity is directed against the foreigners, a greater cultural distance hinders entrant's ability to interpret the collective understanding of a society (Yiu & Makino, 2002). Culturally distant locations elevate the costs of transfer of MNE's intangible assets such as organizational and managerial practices to foreign subsidiaries (Arslan & Wang, 2015). In such locations, firms require greater flexibility for their operations that can be achieved through collaborations with local host country partners (Arslan & Wang, 2015).

Firms prefer majority JVs or WOSs in host countries with smaller normative distance (Xu & Shenkar, 2002). However, for greater normative distances, firms utilize low equity modes (Xu & Shenkar, 2002) or JVs with socially legitimate local partners to align their business functions with institutional and social expectations of the host country (Arslan & Larimo, 2010). Additionally, in a socially restrictive environment, JVs facilitate entrant's access to not only resources and institutional constituents but also reputational capital and social capital of local counterparts (Yiu & Makino, 2002). However, acquisitions can lead to changes in the existing practices of acquired firms institutionalized in the host country, thereby, creating conflicts with host country institutions and endangering the legitimacy of the unit (Xu & Shenkar, 2002).

Finally, the cognitive pillar consists of established cognitive structures that constitute the nature of reality through which organizational actors interpret and shape their meanings (Scott, 1995; Yiu & Makino, 2002). Legitimacy, according to cognitive perspective, emerges from adopting a common frame of reference for defining a situation (Scott, 1995). The legitimating actors under the influence of bounded rationality consider cognitive categories as a reference to assess the similarity of characteristics and attributes of foreign subsidiary to form the opinion about its legitimacy (Mas-Ruiz, et. al, 2018). Therefore, MNEs overcome their liabilities of foreignness and secure legitimacy by engaging in isomorphism, that is, imitating or mimicking institutionalised strategies, structures and practices in host country institutional environment (Rodriguez. et. al, 2005; Wu & Solomon, 2016). In particular, as local firms do not experience any liabilities of foreignness, mimicking them serves as an effective mechanism for MNEs to achieve external legitimacy (Ang, Benischke & Doh, 2015). Likewise, for entry mode selection, a foreign entrant pursues a mimetic behavior and tends to adopt mode of entry that is isomorphic to other organizations in that institutional context (Yiu & Makino, 2002; Mas-Ruiz, et. al, 2018).

One of the ways to acquire cognitive legitimacy is mimicry i.e. external and internal (Chan & Makino, 2007; Yiu & Makino, 2002). External mimicry takes place when firms take into account experiences of other organizations in comparable situations as a guide to infer efficiency of their organizational structures in event of uncertainty (Yiu & Makino, 2002). A firm may imitate a decision or structure that has been frequently used by other firms operating in that environment i.e. frequency-based imitation or adopt a structure of firms that deliver successful outcomes i.e. outcome-based imitation or even simply use identifiable attributes as the decision-base to imitate firms i.e. trait-based imitation (Lu, 2002; Yiu & Makino, 2002). MNEs could also select their mode of entry on the basis of the dominant entry mode used by other firms that belonged to their strategic group and home country (Mas-Ruiz, et. al, 2018).

The second type of mimicry i.e. internal mimicry arises when organizational practices conform to a specific mode or decision-making process that is institutionalized in a firm i.e. forming a habitual pattern (Yiu & Makino, 2002). A firm's judgement of situation is influenced by its prior judgements of similar events in same cognitive category (Yiu & Makino, 2002). With the passage of time, judgements in specific situations become institutionalized and are preferred by firms in future similar contexts (Yiu & Makino, 2002). The actions or strategies are, thus, repeated and become taken for granted practices that can be reproduced, thereby, leading to habitualization (Swoboda, et. al, 2015). In particular, habitualization is facilitated by an imprinting mechanism that creates a reality for a firm based upon its internal environment and maintains structures and processes used by organization during its earlier stages (Swoboda, et. al, 2015). The institutionalized status of prior strategic actions renders them as internally legitimate practices that exhibit high cognitive legitimacy (Chan & Makino, 2007; Yiu & Makino, 2002). For instance, a greater frequency of an entry mode leads to its acceptance as an organizational norm or taken for granted strategy owing to habitualization (Swoboda, et. al, 2015). Hence, the repetition of strategies is ascribed to the

formation of cognitive map that limits the choice of an entry mode (Chan & Makino, 2007; Yiu & Makino, 2002).

The conformance of overseas business unit with internal isomorphism is contingent upon its extent of resource sharing or interdependence with parent and other subsidiaries. High degree of resource sharing, low strategic autonomy of unit, intertwined functional activities between parent and unit facilitate internal isomorphism and establishment of WOSs for foreign business units (Davis, et. al, 2000). However, a unit that possesses strategic flexibility may adopt an entry mode that conforms to conditions of uncertainty and risks in the host country (Davis, et. al, 2000). As a subunit depends on other units and parent for capital, resources and knowledge, internal legitimacy i.e. acceptance of a foreign unit by parent and its other subsidiaries is critical (Kostova & Zaheer, 1999).

An MNE can judge the perception of host country's legitimating actors towards foreign operations and the pressure on firms to conform to institutional demands . Strong institutional pressures are reflected in a greater number of co-owned or minority owned JVs established by other MNEs from the same country of origin as that of the entrant, thereby, inducing the firm to exchange ownership with legitimacy and adopt lower levels of ownership (Chan & Makino, 2007). However, a higher WOS count indicates a greater legitimacy towards foreign operations and encourages the entrant to employ higher ownership levels (Chan & Makino, 2007). A firm needs to comply with established cognitive structures in order to secure cognitive legitimacy (Kostova & Zaheer, 1999). In cognitively distant location, acquisitions may serve as signals of loss of competitiveness and damage to national sovereignty; therefore, acquired firms may be less receptive to MNE's organizational practices and routines (Xu & Shenkar, 2002). However, greenfields foster the integration of foreign affiliates with the MNE and avoid intra-organizational conflict (Xu & Shenkar, 2002).

3.1.3.3.2. EMPIRICAL FINDINGS

Prior institutional related studies have examined the impact of regulatory, cognitive and normative aspects of institutional environment on firm's entry mode choice. The research focused on the regulatory dimension has investigated the influence of regulatory attributes such as host country's legal restrictions, intellectual property protection and political risks and regulative distance. A study by Delios and Beamish (1999) revealed that in countries that lack a sophisticated intellectual protection, foreign entrants preferred higher ownership levels. Che and Facchini (2009) found that in locations where property rights are strictly enforced, MNEs prefer licensing, however, target host countries characterized by insecure property protection give rise to opportunism and increase the likelihood of JVs by foreign entrants. The meta-analysis of external antecedents for choice between WOSs and JVs revealed legal restrictions as a consistent determinant of entry mode choice (Morschett, et. al, 2010). Empirical findings suggest that MNEs assumed lower equity holdings or JVs in countries with greater legal restrictions (Delios & Beamish, 1999; Brouthers, 2002). In addition, high formal institutional distance was found to increase the likelihood of greenfield JVs in emerging markets by Finnish firms (Arslan & Larimo, 2017).

The role of economic freedom distance, i.e. difference in home and host country in terms of economic development, voluntary exchange, freedom to compete and proprietary protection has also been explored in context of future mode selection (Arslan, Tarba & Larimo, 2015). Arslan, et. al (2015) revealed that Nordic firms preferred greenfield over acquisitions in host countries with greater economic freedom distance as greenfields allowed MNEs to develop a subsidiary similar to parent firm and circumvent issues such as different work culture, labour management and organisational inertia that prevail in transition economies and aggravate the overall costs of acquisitions. Additionally, Finnish MNEs were

found to be more inclined to greenfield WOSs in host countries with higher international trade freedom which enabled MNEs to leverage favourable tariffs, costs of importing and exporting, while exerting the control over the transfer of capital and people in country of operation (Arslan & Larimo, 2017). For host country risk perceptions, even though Delios and Beamish (1999) did not a find a consistent impact, several others studies including Morschett, et. al (2010), Brouthers (1995) and Ahmed, et. al (2002) showed that firms perceiving greater risks were more inclined towards JVs or non-equity modes. Additionally, in a restrictive regulatory domain, Yiu and Makino (2002) found that internationalizing firms preferred JVs. Emerging MNEs were more inclined to establish a WOS in a developed host country characterised by fewer political constraints, however, they preferred a JV in an emerging target country with greater political constraints (Demirbag, Tatoglu & Glaister, 2009).

The key attributes of normative dimension i.e. culture characteristics of the home country of an MNE and cultural distance have been widely examined. Nevertheless, there exists a significant inconsistency in research findings. Kogut and Singh (1988) showed that firms preferred JVs or greenfields over acquisitions when home country culture was characterized by greater uncertainty avoidance. In addition, Erramilli (1996) found that firms from societies with high power distance and uncertainty avoidance were more inclined towards full-control entry modes. However, Hennart and Larimo (1998) revealed that cultural characteristics of home country were not consequential in the selection of ownership strategies. While Morschett's, et. al (2010) meta-analysis revealed a persistent impact of power distance attribute on the selection of an entry mode, Barkema and Vermeulen (1997) found that differences in uncertainty avoidance and long-term orientation rather than differences in power distance, individualism and masculinity exert a negative effect on the likelihood of JVs.

The impact of cultural distance on mode selection also entails heterogeneous and inconclusive results (Beugelsdijk, Kostova & Roth, 2017). A set of findings suggests that a high level of cultural distance is associated with firm's preference for JVs (Brouthers & Brouthers, 2001; Kogut & Singh, 1988; Hennart & Larimo, 1998; Yiu & Makino, 2002). However, other set of results demonstrates that firms are inclined towards WOSs as cultural distance or differences in its components increases (Klier, et. al, 2017; Erramilli, 1991; Drogendijk & Slangen, 2006; Barkema & Vermeulen, 1997; Shane, 1993; Padmanabhan & Cho, 1996; Gollnhofer & Turkina, 2015). Additionally, Erramilli (1996), Demirbag, et. al (2009), Larimo and Arslan's (2013) research and meta-analysis of Tihanyi, et. al (2005) and Morschett, et. al (2010) found no evidence of direct effect of cultural distance on mode of entry choice. These divergent findings have led to the formation of a paradox known as the national cultural distance paradox (Cho & Padmanabhan, 2005; Brouthers & Brouthers, 2001). Several reasons including conceptualization issues in cultural distance and separate analysis of key organizational decisions which are interrelated such as location preference, governance mode, mode of entry and performance have been attributed to these inconsistent findings (Beugelsdijk, et. al, 2017).

Besides the direct influence, cultural distance also serve as moderator and was found to negatively moderate the relationship between firm's host country experience and the likelihood it will employ high resource-augmenting modes (Klier, et. al, 2017). A greater linguistic distance between home country and country of operation was found to increase the likelihood of JVs over WOSs by emerging market MNEs (Demirbag, et. al, 2009). In addition, Arslan and Larimo (2017) revealed that Finnish MNEs preferred greenfield JVs in emerging market host countries with greater informal distance.

The investigation of cognitive pillar encompasses the impact of cognitive mindsets on strategic decisions. Results suggest that both external mimicry and internal mimicry have a significant impact on entry mode choice (Yiu & Makino, 2002). Based upon on the imprinting mechanism, higher frequency of a specific entry mode induced the firm to employ the same mode in the future (Swoboda, et. al, 2015). Lu (2002) confirmed the impact of three types of imitation i.e. frequency-, trait- and outcome-based imitation on future mode selection as well as firm's preference for outcome-based indicators. In addition, Mas-Ruiz, et. al (2018) revealed that legitimating actors in a host country exert an isomorphic pressure on companies of a strategic group to adopt an established or institutionalised foreign entry structure. The preference of WOSs by Spanish banks evolves from a greater frequency of WOS establishments by other companies within strategic reference group of its home country operating in same target host country (Mas-Ruiz, et. al, 2018). Therefore, dominant entry modes in a strategic reference group influence the subsequent entry mode choice of a firm that belonged to that group. Likewise, a greater number of acquisitions undertaken by local firms in host country were found to increase the likelihood of subsequent acquisition by an emerging market MNEs in the same industry and in the same country of operation (Ang, et. al, 2015). This mimetic behaviour of emerging market firms was found to increase with greater regulative institutional distance that increases the complexity with external stakeholders and interferes with interpretation of laws and regulations (Ang, et. al, 2015).

Further, Davis and colleagues (2000) showed that foreign units that experienced internal organizational pressures employed WOSs, however, external isomorphic pressures facilitated the creation of JVs. Similarly, in Paul and Wooster's (2008) study, internal isomorphic pressures were found to facilitate the conversion of JV to WOS, however, external isomorphic pressures reinforced the need of local partner, thereby, preventing firms to adopt an independent structure. Additionally, findings suggest that in a host country with a greater

number of co-owned and minority-owned JVs that signaled strong institutional pressures, firms exchanged equity ownership to gain legitimacy (Chan & Makino, 2007). In other words, entrants formed a partnership with a local legitimate firm that fostered foreign affliate's local identity and maintained its access of resources, while depressing its ethnocentric nature (Chan & Makino, 2007). However, in a host nation with a higher count of WOSs that suggest the legitimacy of foreign operations, firms preffered high ownership structures (Chan & Makino, 2007). Li, Yang and Yue (2007) analysis suggest that foreign entrants established WOSs in China order to secure legitimacy. This adoption of WOSs was based upon the increasing number of prior WOS establishments by other firms that share a specific identity with the foreign entrant such as country of origin and industrial sector, specifically, firms from the same home country and same industry, from same country and operating in different industrial sector and from different country of origin however operating in the industry (Li, et. al, 2007).

A group of scholars such as Meyer (2001), Meyer, et. al (2009a), Dikova and Wittelosstuijn (2007) and Paul and Wooster (2008) have explored the impact of transition in an institution environment and strength of institutions on firm's strategic decisions. Their findings suggest that strong institutions (Meyer, et. al, 2009a) and greater institutional advancement or progress towards liberation and market-oriented reforms (Paul & Wooster, 2008) increased the likelihood for high-commitment modes or WOSs. The inclination for WOSs also stems from the need to safeguard firm's competence from infringement, dissemination and weak protection of property rights (Dikova & Wittelosstuijn, 2007). In addition, the improvement in market conditions and regulatory environment was found to diminish the need of a local counterpart as a liaison with local authorities (Paul & Wooster, 2008; Meyer, et. al, 2009a; Meyer, 2001).

3.1.3.3.3. LIMITATIONS & FUTURE DIRECTIONS

Even though the application and expansion of institutional variables is widespread, there exists a little consensus about factors that constitute institutional environment and their corresponding measurement (Brouthers, 2013). Xu and Shenkar (2002) suggest that neither cultural distance nor institutional distance represents a comprehensive entity that takes the cognizance of entire spectrum of national characteristics that are critical in foreign investment decisions. Extant literature contains several definitions of culture that hinders the ability of a single measure to capture differences across cultures (Tihanyi, et. al, 2005). Shenkar (2012) challenges the broad acceptance of cultural distance in IB on the basis of its conceptualization and methodological properties that casts doubt on its validity and leads to inconsistent predictions. To name a few, conceptualization issues encompass the illusion of symmetry between home and host country cultures, illusion of stability in culture and illusion of linearity of impact of cultural distance on investment stage, entry mode choice and affiliate performance (Shenkar, 2012). In addition, ignorance of corporate cultural variance, assumption of spatial homogeneity within the entire nation and equivalence of all dimensions of culture represent key methodological issues with cultural distance (Shenkar, 2012).

While cultural distance has been rigorously applied to explain MNE's investment location and sequence, choice of governance mode and performance of foreign affiliates, cultural positions i.e. cultural characteristics, their relative values and contexts have received a limited attention in prior empirical research (Lopez-Duarte, Vidal- Suarez & Gonzalez-Diaz, 2015). Likewise, prior literature has not clearly differentiated between two institutional effects i.e. institutional distance and institutional profile, that is, institutional environment of a MNEs home country or its country of operation (Hoorn & Maseland, 2016). In particular, the tendency of prior studies to employ a single country of a MNE tends to conflate the effects of

institutional distance and institutional profile which stifles our understanding regarding underlying reasons of MNEs behaviour that is either a response to challenges that evolve from host-country's or home-country's institutional profile or an outcome of dissimilarity between host and home institutional environment (Hoorn & Maseland, 2016). Additionally, the change in institutional rules over period of time has not been explored (Arslan & Larimo, 2011).

Zaheer, Schomaker and Nachum (2012) suggest that taking into account only scalar characteristics or magnitude of distance does not throw light on how two countries or instiutional contexts differ . Irrespective of distinct problems faced by firms, the magnitude of distance would yield same result for firms in different institutional contexts (Zaheer, et. al, 2012). For instance, firms from high institutional trust countries while venturing into low institutional trust locations experience different issues than firms that orginate from low institutional trust places and enter in high institutional trust locations (Zaheer, et. al, 2012). Empirically, Hernandez and Nieto (2015) explored the asymmetric effect of regulative distance and revealed that both magnitude and direction of institutional impacts mode of entry choice. When firms enter a target country with less developed regulatory frameworks than their home country, they prefer flexible and lower resource commitment modes in order to alleviate adaption problems in securing external legitimacy (Hernandez & Nieto, 2015). However, more developed and established regulatory institutions in a host country than MNE's country of origin reduces overall risks and costs of foreign entrants and confers them legitimacy conveneinetly, thereby, inducing the MNE to employ high-resource commitments modes (Hernandez & Nieto, 2015). Hence, the direction of distance is worthy of investigation.

Further, Kostova, et. al (2008) challenge the tenet that isomorphism is a critical mechanism for attaining legitimacy as MNEs may be viewed as distinct and valued entities and that local environment may not necessarily control all the resources critical for MNE's operation. Therefore, the need of conformance to local institutional requirements is dampened (Kostova, et. al, 2008). Moreover, since there exist varying and multiple expectations to conform to all three fundamental pillars, achieving legitimacy through isomorphism is not feasible (Kostova, et. al, 2008).

In order to advance the knowledge and understanding on institutional environment and its implications, future research can develop measures that incorporate principal differences in culture related to organizational decisions for varying level of analyses i.e. at organization, group or individual level (Tihanyi, et. al, 2005). Prospective studies can explore mutiple cultural perpsectives that view individuals as embodiments of several cultures and analyse the role of individual in defining a culture and influence of a group culture on an individual (Caprar, Devinney, KirkMan & Caligiuri, 2015). In particular, Shenkar (2012) suggests the substitution of 'distance metaphor' with the word friction to represent the divergence among interacting cultures that produces the drag in operations. Future researches could also investigate similarities and differences in effects of cultures at various levels, relevant contextual moderators and mediators such as cultural tightness–looseness and novel territories including social network and innovation (Kirkman, Lowe & Gibson, 2017). Analysing novel containers of culture other than country, multiculturalism, cultural changes, effect sizes and techniques such as discrete choice, experimental economics and policy capturing could refine our understanding regarding cultural differences (Kirkman, et. al, 2017).

Other possible line of inquiries include exploring the influence of institutional components on the relationship between transaction cost attributes and entry mode choice,

establishing an agreement for key constituents of institutional environment and relative superiority of methods that determine the institutional distance (Brouthers, 2013; Brouthers & Hennart, 2007). Besides the consideration of context-specific environment and time-sensitive attributes, developing a broader construct that captures the entire scope of institutional differences and aligns the measure for actual institutional distance or perceived institutional distance can inform institutional-based studies (Brouthers, 2013). A composite measure of cultural distance and institutional distance can be devised to determine the holistic influence of institutional environment on firm's strategic decisions (Xu & Shenkar, 2002). Particularly, researchers need to consider distinct institutional distance for each of the three institutional domains i.e. regulatory, cognitive and normative domains and their varying impact on firm investment behavior (Chan & Makino, 2007). Moderators of institutional distance such as firm-level characteristics, resources, portfolio of locations, industry-level characteristics and linguistic distance can help us better understand how institutional attributes influence entry mode choice (Zaheer, et. al, 2012).

3.1.3.4. DUNNING'S ECLECTIC FRAMEWORK

3.1.3.4.1. BACKGROUND

Dunning's eclectic framework determines a firm's engagement in international production based upon the presence of Ownership (O) advantages, Location (L) advantages and Internalization (I) advantages (Dunning, 1988). Dunning's eclectic or OLI framework can be conceptualized as a holistic tool that unifies RBV, institutional theory and TCE by incorporating firm-specific, location, and internalization facets in the explanation of a firm's pattern of international production and cross-border activities (Brouthers & Hennart, 2007; Tatoglu & Glaister, 1998; Stoian & Filippaios, 2008).

Ownership advantages refer to firm-specific characteristics that differentiate a firm from its competitors and enable a firm to exploit foreign investment opportunities (Dunning, 1988; Tatoglu & Glaister, 1998; Nakos & Brouthers, 2002; Tahir & Larimo, 2004). These advantages include tangible and intangible assets that are not possessed, duplicated or not held in the same measure by competing firms (Brouthers, et. al, 1996; Mtigwe, 2006). Thus, providing uniqueness and sustainability critical for competitive advantage of a firm (Buckley & Hashai, 2009; Brouthers, et. al, 1999; Mtigwe, 2006). Ownership advantages are classified into asset advantages and transaction-type advantages (Tatoglu & Glaister, 1998; Nakos & Brouthers, 2002). Asset advantages stem from firm's possession of proprietary and intangible assets such as experience and patents (Tatoglu & Glaister, 1998; Nakos & Brouthers, 2002; Tahir & Larimo, 2004). Transaction-type advantages pertain to transactional benefits such as scale and scope economies as well as the access to inputs and markets leveraged by a firm from the coordination of multiple and geographically dispersed activities (Tatoglu & Glaister, 1998; Nakos & Brouthers, 2002). Ownership advantages have been measured through several variables including firm's size, international experience, ability to differentiate products and services, product adaptability, technological and service intensity, production efficiency and resource efficiency (Agarwal & Ramaswami, 1992; Brouthers, et. al, 1996; 1999; Nakos & Brouthers, 2002; Tatoglu & Glaister, 1998).

Location advantages are country-specific factors that represent a strong incentive for firms to relocate production or part thereof to that location or in a specific host country (Barnes, 2008; Brouthers, et. al, 1999). Locational advantages are classified into factors endowments and environmental factors (Tatoglu & Glaister, 1998). While factors endowments include labour supply, proximate markets and access to raw material, environmental factors encompass political factors, country risks, infrastructure and economic conditions such as legislation for technology transfer, exchange rate policies and economic

welfare (Tatoglu & Glaister, 1998; Stoian & Filippaios, 2008; Tahir & Larimo, 2004). The key locational variables employed for mode choice analysis are the level of competition, similarity of market infrastructures, cultural differences, availability of lower production costs, sales demand, industry competition, labour supply, market potential and stability of host country (Agarwal & Ramaswami, 1992; Brouthers, et. al, 1996; 1999; Nakos & Brouthers, 2002; Tatoglu & Glaister, 1998; Tahir & Larimo, 2004)

Internalization advantages evolve from the exploitation of ownership advantages internally rather than their transfer through inter-firm strategies such as licensing, franchising and collaborations (Stoian & Filippaios, 2008; Mtigwe, 2006). Quality control, reduction of transaction costs and risk dissipation are few of the internalization advantages (Tatoglu & Glaister, 1998). The decision to internalize involves the comparison of transactions costs of integration (WOSs) with costs associated with the use of external modes or markets (Brouthers, et. al, 1996; Anderson & Gatignon, 1986; Nakos & Brouthers, 2002). Internalization advantages have been determined in terms of transaction-specific costs and contractual risks that include the costs of making and enforcing contracts, risk of dissemination of proprietary knowledge and costs associated with controlling the quality of a product or service (Agarwal & Ramaswami, 1992; Brouthers, et. al, 1996; 1999; Nakos & Brouthers, 2002; Tatoglu & Glaister, 1998).

According to OLI framework, a firm engages in Foreign Direct Investment (FDI) if it perceives high OLI advantages (Barney, 2008; Brouthers, et. al, 1999). When applied to entry mode selection, OLI framework suggests that firms should select an entry mode by considering ownership advantages (control, costs and benefits of inter-firm transactions), location advantages (resource commitment, availability and costs) and advantages that stem from internalization (reduction of transaction and coordination costs) (Brouthers, et. al, 1999;

Tatoglu & Glaister, 1998). The influence of these advantages on management's perception of asset power, market attractiveness and costs of internalization determines strategic decisions (Brouthers, et. al, 1999).

The tacit nature of firm-specific ownership advantages makes them vulnerable to dissemination risks, thereby, stressing the need for higher control on foreign operations by the MNEs (Agarwal & Ramaswami, 1992; Brouthers, et. al, 1996). While an equity mode of entry is preferred for advantages that are transferable devoid of any loss of value, non-equity modes are appropriate for resources and capabilities that are not easily internationally mobile (Nakos & Brouthers, 2002).

High potential locations i.e. a wider market allows the firm to leverage several advantages including exploiting additional sale opportunities, standardizing operations, safeguarding from potential contenders, serving new customers and foreign engagements of existing customers (Nakos & Brouthers, 2002). High-control modes in high market potential countries ensure firm's long-term profitability through a prolonged presence, scale economies and lower marginal production costs (Tatoglu & Glaister, 1998; Nakos & Brouthers, 2002; Agarwal & Ramaswami, 1992). However, investment risks in a host country can endanger the survival and profitability of MNE operations, therefore, non-investment modes or JVs form an appropriate strategy (Agarwal & Ramaswami, 1992; Tatoglu & Glaister, 1998).

The influence of internalization factors on entry mode choice can be determined through market conditions and perceived transaction costs (Agarwal & Ramaswami, 1992). In particular, market failure and enhanced perceived costs of transactions due to opportunism and small number bargaining induce firms to internalize their overseas business functions (Stoian & Filippaios, 2008, Agarwal & Ramaswami, 1992). Overall, for high OLI advantages, firms prefer WOSs (Brouthers, et. al, 1999).

3.1.3.4.2. EMPIRICAL FINDINGS

A number of previous entry mode choice studies draw upon Dunning's eclectic framework and examine the influence of OLI advantages on entry mode selection. Empirical results concerning the impact of ownership advantages indicate that larger and more experienced firms were more inclined towards WOSs such as sole ventures or integrated modes of entry i.e. acquisition or greenfields (Agarwal & Ramaswami, 1992; Brouthers, et. al, 1996; Tahir & Larimo, 2004). Firms offering highly differentiated products and services were found to prefer equity modes i.e. WOSs and joint ventures (Nakos & Brouthers, 2002) or only WOSs (Brouthers, et. al, 1996). In addition, Brouthers, et. al (1996) and Tatoglu and Glaister (1998) revealed that firms that perceived high level of firm-specific advantages had a greater preference for WOSs.

For locational advantages, Agarwal and Ramaswami (1992) and Nakos and Brouthers (2002) showed that in host countries with high market potential, firms preferred sole ventures (WOSs) and equity modes (JVs and WOSs) respectively. Consistent with these results, Brouthers, et. al (1996) found that firms that perceived high level of locational advantages selected WOSs. In addition, Tahir & Larimo (2004) revealed that greater economic development and large size of Asian countries increased the likelihood of WOSs by Finnish manufacturing firms pursuing market-seeking and efficiency-seeking FDIs. However, firms were more inclined to establish JVs in markets with high investment risks (Agarwal & Ramaswami, 1992; Tatoglu & Glaister, 1998) and a higher level of competition (Tatoglu & Glaister, 1998).

The analysis of internalization advantages revealed that for high contractual risks, firms employed non-equity modes i.e. licensing and exporting (Brouthers, et. al, 1999;

Agarwal & Ramaswami, 1992). However, firms preferred equity modes when they experienced high internalization advantages (Nakos & Brouthers, 2002; Tatoglu & Glaister, 1998; Agarwal & Ramaswami, 1992; Brouthers, et. al, 1999). Besides investigating the individual impact of OLI advantages, Agarwal and Ramaswami (1992) examined the influence of interrelationships among OLI advantages on mode selection. Their findings revealed that large and experienced MNEs were more inclined towards sole ventures or high degree of control in low potential markets as compared to small and less experienced firms that preferred JVs in high potential locations. In addition, firms with highly differentiated products and services favored sole ventures in markets characterized by high contractual risks (Agarwal & Ramaswami, 1992).

3.1.3.4.3. LIMITATIONS & FUTURE DIRECTIONS

OLI framework is not free from limitations as it ignores the dynamics of international production and strategic behavior of firms (Dunning, 1988). Particularly, OLI framework does not explain the interdependence between ownership and locational advantages that may exist as the choice of location may be underpinned by spatial market failure, trade barriers, creation of customs unions and regional trading blocs (Dunning, 1988). A related weakness is the incorrect assumption that locational advantages are freely available to foreign entrants (Hennart, 2012). Imperfect markets or monopolistic control of resources by local firms constrains the availability of host country's resources to MNEs, thereby, making them vulnerable to information costs, hold-up problems and government objections (Hennart, 2012). Additionally, Stoian and Filippaios (2008) and Itaki (1991) point issues such as context-specific nature and double counting of ownership advantages respectively. There are also divergent views regarding the effectiveness of OLI framework, its extension or the need of new theories in order to explain the internationalization of Emerging Market Enterprises

(EMEs) (Narula, 2012; Hennart, 2012, Ramamurti, 2012; Cuervo-Cazurra, 2012).

Future research could employ OLI framework to combine RBV, TCE and institutional theory and understand the interaction of these theories by employing well-tested measures of constructs employed in prior studies (Brouthers & Hennart, 2007). Other extensions include the incorporation of strategic behaviour of firms and entry mode structures such as JVs and non-equity contractual agreements (Dunning, 1988). Prospective studies could also investigate the divestment of foreign production and change in the ownership of assets (Dunning, 1988).

3.1.3.5. INTEGRATION OF THEORETICAL PERSPECTIVES

Besides the individual application of key theories, integration of theoretical perspectives has also gained momentum in the entry mode literature. Understanding an entry mode decision through the lens of integrated theoretical reasoning provides valuable insights and a holistic explanation regarding firm's investment behavior (Brouthers, 2013). Empirically, several studies have integrated TCE with cultural context and/or institutional variables, TCE and real options theory and RBV and institutional theory (Brouthers, 2002; Brouthers, Brouthers, & Werner, 2008b; He, et. al, 2013; Puck, et. al, 2009; Meyer, et.al, 2009a; Meschi, Phan & Wassmer, 2016). For instance, Meyer (2001) examined the impact of institutional environment on transaction costs and showed that mode choice is adjusted to both institutional context and transaction costs. Brouthers (2002) employed an extended transaction cost model i.e. transaction cost variables integrated with institutional and cultural context variables to examine entry mode choice and firm performance.

Importantly, the application of extended transaction model by Brouthers (2002) paved the way for future entry mode research built upon the integration of other theoretical

perspectives such as organizational learning, knowledge-based view, real options and capabilities with TCE (Martin, 2013). In Particular, Puck, et. al (2009) employed TCE and institutional theory to examine post-entry changes in an ownership mode and revealed that accumulation of local knowledge by MNEs increased the likelihood of conversion of a JV into a WOS. Likewise, Brouthers and colleagues (2008a) combined TCE with real options theory and suggested that a JV provides an option to firms to adjust their investment position with the changing levels of uncertainty. In other words, JVs shield firms from risks due to control and investment uncertainties, while enabling firms to re-evaluate uncertainty later and tap potential benefits when they develop (Brouthers, et. al, 2008a). Employing the extended TCE approach, that is, integrating transactional and institutional factors, Meschi, Phan and Wassmer's (2016) analysis revealed that entry modes choices aligned with these factors significantly outsurvive the international entries that did not conform to them.

The application of the RBV has been also enhanced through its interaction and integration with additional theories. Building their theoretical foundation on the integration of RBV and institutional theory, Meyer and colleagues (2009a) found that the need of intangible resources facilitated the formation of acquisitions or JVs in strong institutions. However, when resources sought were tangible local resources, firms were less likely to adopt JVs in strong institutional contexts (Meyer, et.al, 2009a). Another study revealed that institutional differences i.e. social norms distance and legal distance moderated the relationship between firm-specific resources and entry mode preferences (Brouthers, et. al, 2008b). Subsidiaries that employed entry modes derived from RBV and then adjusted their choices with institutional contexts exhibited higher performance than mode choices that were not institutionally adjusted (Brouthers, et. al, 2008b). In addition, the analysis of influence of institutional context on market orientation capabilities indicated that export channels choices that were aligned with market orientation capabilities moderated by institutional distance

performed better than channels that could not be predicted by these factors (He, et. al, 2013).

Overall, the integration of theoretical perspectives creates a unified platform to enhance the generalizability and predictive power of existing theories such as TCE, institutional theory, RBV and real options. Besides elevating the explanatory potential of prevalent logics, the recognition and inclusion of constructs from distinct theories improves the understanding on mode selection by providing novel and discerning explanations.

3.1.4. REINVIGORATION OF ENTRY MODE RESEARCH

A substantial progress has been made by the entry mode literature in enhancing the understanding on entry mode selection, determinants of entry mode choice and implications of an entry mode (Hennart, 1988; 1991; He, et. al, 2013; Yiu & Makino, 2002; Nakos & Brouthers, 2002; Slangen & Hennart, 2008; Powell & Rhee, 2013; Nadolska & Barkema, 2007; Lu, 2002; Chan & Makino, 2007). Nevertheless, the present advancement in entry mode domain is now largely incremental rather than a revelatory transformation, thereby, questioning the need of further entry mode studies and recognition of appropriate direction of future research (Shaver, 2013).

The identification and conceptual clarity regarding the objectives of entry mode research i.e. description of firm's behaviour or ideal strategies constitute critical tasks (Shaver, 2013). Strategic solutions that assist a sound entry mode choice and elevate firm performance are rare (Brouthers, 2013). It is critical to shift the focus from explanatory potential, new methodologies and sample settings to interdependence among entry mode choices to inform the entry mode literature with novel insights (Shaver, 2013; Hennart & Slangen, 2015). The exploration is particularly necessary to remove inconsistencies in empirical findings associated with influence of prior experience on entry mode preferences

(Hennart & Slangen, 2015). Understanding entry mode choice through the lens of neighboring theoretical disciplines and historical mode decisions could yield discerning results (Brouthers & Hennart, 2007). The analysis of presence of specific factors, frequency and performance of past mode choices and types of experiences that are critical in firm's learning could throw light on replication of past decisions (Hennart & Slangen, 2015).

To enhance our knowledge on how a firm makes entry mode decisions and why some decisions result in better outcomes than others, I will develop and test a new perspective known as Entry Mode Portfolio (EMP) that incorporates the aspects of organizational learning and experience. Departing from the traditional and isolated analysis of the organizational learning derived from one attribute of historical entry mode experience (Vermeulen & Barkema, 2001; Ellis, et. al, 2011; Powell & Rhee, 2013; Nadolska & Barkema, 2007; Erramilli, 1991; Barkema, et. al, 1996; Delios & Beamish, 1999; Hennart, 1991; Collins, et. al, 2009), I conceptualize EMP as a portfolio or collection of organizational learning derived from distinct attributes of entry mode experience and examines the influence of EMP on subsequent mode choice. The key attributes of prior mode experience considered in the EMP perspective are frequency, geographical diversity, performance, host country experience, general international experience, function, size and recentness.

EMP theory suggests that the interactions among different learning and their combined influence assist in a superior entry mode choice by extracting synergies and alleviating the limitations of individual learning. Specifically, this combined influence of learning takes place through a composite-experience based construct that yields a unique result, thereby, overcoming the issue of divergent findings regarding the impact of prior experience on entry mode choice as observed in the empirical literature. Building upon the rudiments of experience, organizational learning and portfolio theory of finance, EMP

perspective enriches the entry mode literature by offering a nuanced view that combines learning that evolves from several attributes of entry mode experience and leverages this collective influence in a strategic mode selection.

3.2. ENTRY MODE PORTFOLIO THEORY

3.2.1. INTRODUCTION

The choice of an international entry mode of a firm has been explained extensively through TCE, RBV, institutional theory and Dunning's eclectic framework (Brouthers & Hennart, 2007). A commonality among these theoretical frameworks is that they examine the influence of prior experience on future mode selection, while emphasizing upon distinct functions of experience such as a mechanism to mitigate internal uncertainty in TCE (Anderson & Gatignon, 1986; Zhao, et. al, 2004), a firm-specific resource in RBV (Aulakh & Kotabe, 1997; Ekeledo & Sivakumar, 2004; Mutinelli & Piscitello, 1998), a factor that facilitates internal isomorphism in institutional theory (Yiu & Makino, 2002; Swoboda, et. al, 2015) and an ownership advantage in Dunning's eclectic paradigm (Dunning, 1988; Tatoglu & Glaister, 1998; Brouthers, et. al, 1999).

Transaction Cost Economics (TCE), the most influential stream of thought in entry mode research, suggests that prior international experience aids in depressing internal uncertainty and foreignness of MNEs by enhancing firm's confidence and knowledge for operation and management of foreign affiliates (Anderson & Gatignon, 1986; Zhao, Luo & Suh, 2004). Experience enables the firm to gauge probable changes in the host country's institutional environment and to enumerate additional eventualities that may appear in the course of contract negotiation (Delios & Henisz, 2000). Empirically, a decrease in internal

uncertainty through accumulation of experience was found to enhance the firm's preference for WOSs (Gatignon & Anderson, 1988; Padmanabhan & Cho, 1996; Hennart, 1991; Delios & Beamish, 1991; Luo, 2001; Kim & Hwang, 1992).

RBV assumes experience as a critical resource that is leveraged in foreign investments and determines the extent of ownership of foreign establishments by a firm (Aulakh & Kotabe, 1997; Ekeledo & Sivakumar, 2004; Mutinelli & Piscitello, 1998). According to resource-based rationale, one of the key objectives underlying the firm's international strategy is the exploitation of existing assets (Meyer, et. al, 2009b); therefore, exploitation of prior experience in foreign expansion facilitates the internationalization objective of a firm. Several RBV-based studies reveal that firms with greater experience are more inclined to employ full-control modes (Ekeledo & Sivakumar, 2004; Mutinelli & Piscitello, 1998).

In institutional theory, prior entry mode experience facilitates internal mimicry or isomorphism in which a firm employs institutionalized or taken for granted entry modes as subsequent foreign entry structures owing to imprinting mechanism. Specifically, imprinting maintains structures and strategies used by organization during its earlier stages by repeating those strategies (Yiu & Makino, 2002; Swoboda, et. al, 2015). In context of entry modes, the repetition or greater frequency of an entry mode endows that mode with greater cognitive legitimacy that facilitates its acceptance as an organizational norm and therefore, its repetitive implementation (Chan & Makino, 2007; Yiu & Makino, 2002; Swoboda, et. al, 2015).

Dunning's OLI framework conceptualizes experience as an ownership advantage i.e. an intangible asset that safeguards competitive advantage and is exploited in foreign investment opportunities (Agarwal & Ramaswami, 1992; Brouthers, et. al, 1996, Nakos & Brouthers, 2002; Tatoglu & Glaister, 1998). Empirical findings based on the OLI framework suggest that larger and experienced firms are more inclined towards sole ventures or

integrated modes of entry i.e. acquisition or greenfields (Agarwal & Ramaswami, 1992; Brouthers, et. al, 1996).

In consistence with these theories, previous empirical studies have acknowledged the importance of diverse attributes of entry mode experience namely frequency, geographical diversity and host country experience in the choice of foreign entry structure. Importantly, organizational learning accrued from these attributes determines future entry mode selection. For instance, learning garnered from frequency and years of operations of a specific entry mode (decision-specific experience) enriches the knowledge base and elevates firm's value by reducing the overall implementation costs associated with establishment of same mode in the future (Padmanabhan & Cho, 1999). A greater geographical diversity of entry modes provides a rich learning ground that strengthens firm's technological capabilities by increasing expected returns and mitigating risks of innovations, thereby, increasing the likelihood of greenfields in subsequent entries (Barkema & Vermeulen, 1998). In addition, a greater host country experience enables the firm to absorb the intricacies of institutional environment and develop effective routines, while enhancing the firm's preference for majority-owned structures in that country (Delios & Henisz, 2000; Gomes-Casserus, 1989; Powell & Rhee, 2013; Hennart, 1991; Kogut & Singh, 1988; Yiu & Makino, 2002).

Preceding explanations clearly demonstrate the importance of experience and organizational learning stressed by major theoretical perspectives and empirical studies in the entry mode literature. The critical role of prior entry mode experience in future mode selection is, however, undermined due to several reasons. Entry mode literature has not been conclusive about the impact of prior experience on future mode choice (Brouthers & Hennart, 2007; Klier, et. al, 2017; Hernandez & Nieto, 2015; Dow & Larimo, 2011; Arslan & Wang, 2015; Larimo & Arslan, 2013; Hennart, et. al, 2015). On one hand, a set of findings indicates

the increased likelihood of high-control modes with more experience (Gatignon & Anderson, 1988; Padmanabhan & Cho, 1996; Hennart, 1991; Luo, 2001; Kim & Hwang, 1992; Aulakh & Kotabe, 1997; Ekeledo & Sivakumar, 2004; Mutinelli & Piscitello, 1998; Agarwal & Ramaswami, 1992; Brouthers, et. al, 1996). On the other hand, a few studies revealed firm's preference for low-control modes or shared ownership structures with a greater level of experience (Brouthers & Brouthers, 2003; Delios & Beamish, 1999). A third set of entry mode studies exhibit no significant relationship between firm's experience and its entry mode choice (Hennart, et. al, 2015; Brouthers, et. al, 2003; Padmanabhan & Cho, 1996). Finally, Erramilli (1991) demonstrated a U-shaped/non-linear relationship between firm's propensity to employ full-control modes and experience.

Several reasons including illusion of symmetry of institutional distance (Hernandez & Nieto, 2015) and ignorance towards the influence of local owners of complementary inputs in a host country (Hennart, et. al, 2015) have been suggested for the lack of consensus in empirical literature. Most importantly, a myriad range of experience and non-experience-based measures employed in the extant empirical research have led to these inconsistent findings (Brouthers & Hennart, 2007; Ekeledo & Sivakumar, 2004). In particular, experience-based measures encompass total number of foreign investments, number of years of presence in the host country, number of foreign countries in which a firm has subsidiaries and number of years of worldwide experience (Brouthers & Hennart, 2007). These measures represent different attributes of previous mode experience i.e. frequency, host country experience, geographical diversity and general international experience respectively. The analysis of these attributes through diverse measures has created the ambiguity in empirical results.

A related issue is that there have been only fewer studies that examine the influence of

organizational learning garnered from additional attributes of mode experience namely performance, size, function and recentness of entry modes on future mode selection. Entry mode structures can be viewed as the repositories of embedded knowledge and different types of entry experiences foster varying levels of learning (Gao & Pan, 2010). Therefore, examining distinct experiences that foster firm's learning could throw light on entry mode decisions (Hennart & Slangen, 2015). However, only a handful of studies highlight the role of performance, size, function and recentness of entry modes in organizational learning and occasionally in mode selection (Cho & Padmanabhan, 2001; Delios & Henisz, 2003; Morschett, et.al, 2008; Bonetti & Masiello, 2014; Haleblian, et. al, 2006).

A lone study by Cho and Padmanabhan (2001) revealed that though firms value both recent and old decision-specific experience, recent experience is marginally more significant than older experience in future mode selection. In addition, Chan and Rosenzweig (2001) detected that for a sales function there is a positive association between prior international sales experience and firm's preference for greenfields over acquisitions or JVs. Haleblian and colleagues (2006) revealed that prior acquisition success encourages a firm to pursue acquisitions in the future owing to owing to self-assurance and capabilities accrued from positive feedback. However, a poor performance undermines the effectiveness of acquisitions and propels the search for new strategies, thereby, decreasing the employment of acquisition in subsequent entries (Haleblian, et. al, 2006). Hence, there exist some direct and indirect references that point out the significance of these attributes in organizational learning and consequently future mode selection. Surprisingly, literature has largely ignored the potential of these attributes as the antecedents for mode of entry choice.

Further, previous studies, almost entirely, have paid little attention to the simultaneous influence of multiple facets of entry mode experience on subsequent mode choice through

organizational learning (Hennart & Slangen, 2014). The extant literature has normally explored the impact of organizational learning derived from only one attribute of previous entry mode experience on subsequent mode choice (Vermeulen & Barkema, 2001; Chan & Rosenzweig, 2001; Lu, 2002; Erramilli, 1991; Ellis, et. al, 2011; Gomes-Casserus, 1989; Powell & Rhee, 2013; Collins, et. al, 2009). The closest the literature comes is by including two or three attributes of previous mode experience such as frequency and years of operations (Padmanabhan & Cho, 1999), performance and frequency (Haleblian, et. al, 2006) and recentness, frequency and years of operations of entry modes (Cho & Padmanabhan; 2001). A single construct that captures all existing attributes of historical mode experience and gives a unanimous result regarding the impact of experience on choice of entry mode does not exist. The combined influence of different attributes of previous mode experience assumes a critical importance owing to four specific reasons.

First, entry mode experience spans across several dimensions including country, type of foreign entry structure, function, performance, size and recentness. Prior literature has clearly demonstrated that entry mode choice is a function of organizational learning derived from several attributes of historical mode experience namely geographical diversity, frequency, performance, general international experience and host country experience (Barkema & Vermeulen, 1998, Brouthers & Nakos, 2004; Gomes-Casserus, 1989; Powell & Rhee, 2013; Yiu & Makino, 2002; Padmanabhan & Cho, 1996; Collins, et. al, 2009; Haleblian, et. al, 2006). It can, therefore, be inferred that the learning that evolves from one attribute of mode experience does not reflect the holistic learning garnered by a firm through its overall entry mode experience. In other words, a single attribute of experience is not the sole determinant of entry mode choice. The issue of inconsistent empirical results, thus, stems from the narrow perspective that considers an individual attribute of mode experience as the lone contributor of organizational learning that determines subsequent mode selection.

Second, the collective influence is consequential to encompass divergent impacts of different attributes of entry mode experience. Delios and Beamish (1999) found that host country experience and general international experience exert dichotomous impacts i.e. the former induced the firm to adopt higher ownership levels, while the latter shaped the firm's preference for lower ownership levels. Likewise, the frequency of prior establishment modes was found to be non-significant for future mode choice of Nordic MNEs in China, however, greater host country experience was found to enhance the likelihood of full acquisitions (Arslan & Wang, 2015). Additionally, Padmanabhan and Cho (1996) revealed that in culturally similar host countries, general international experience did not play a key role in entry mode decisions, while firm's prior experience in a target country increased the likelihood of complete ownership of foreign affiliates. Since the influence of one attribute could be different than the others', the analysis of collective influence of diverse attributes of prior entry mode experience is clearly needed.

Third, future mode selection could also be the outcome of interaction between two or more attributes previous entry mode experience. The empirical analysis by Haleblian's, et. al (2006) study revealed that higher frequency of acquisitions when accompanied with a higher performance of recent acquisition increased the likelihood of future acquisitions. In contrast, poor acquisition performance depreciates the legitimacy of established acquisitions-related routines and firm deviates from its persistence of employing acquisitions under the effect of greater frequency (Haleblian, et. al, 2006). Therefore, the combined influence of different attributes is critical to understand the holistic impact of historical entry mode experience that encompasses the interplay among diverse attributes.

Fourth, historically, the selection of entry modes has been considered as an isolated process or a self-contained decision with focus on the success or survival of individual entry

(Hill, Hwang & Kim, 1990). The interdependencies that exist across entry structures and implications of one entry mode on others remain unexamined (Brouthers, 2013). The proliferation of international business activities gives rise to distinct challenges for MNEs such as the simultaneous management of multiple foreign entries and a tangled web of interdependent business relationships (Parise & Casher, 2003). A focus on the maximization of efficiency of an individual foreign entry could dissolve the overall benefits of internationalization. In addition, this gives only a partial insight regarding far-reaching implications of mode selection decisions. Entry mode choice should, therefore, be considered in reference to global strategic posture i.e. strategic relationships among international operations (Kim & Hwang, 1992; Hill, et. al, 1990). A broader view and a unifying framework that considers multiple entry modes as a portfolio of interdependent units could assist in management of interdependencies across entry mode structures and strategic selection of an entry mode (Kim & Hwang, 1992; Hill, et. al, 1990). Specifically, it is essential to understand how the organizational learning derived from distinct attributes of experience assists in a qualified and superior entry mode selection.

Future research needs to employ new perspectives that are not only distinct but also related with existing explanations in order to inform the entry mode literature with novel insights (Shaver, 2013). Considering the trade-offs between mode choices based upon diverse factors as well as benefits and costs associated with entry mode selection could also refine our understanding (Hill, et. al, 1990). Besides the need of new and different theories, it is imperative to integrate theoretical perspectives for a meaningful contribution towards entry mode literature (Brouthers, 2013, Brouthers & Hennart, 2007). The way forward is to examine interdependence among entry modes, historical mode choices and combined influence of distinct attributes of mode experience (Hennart & Slangen, 2015; Brouthers, 2013; Brouthers & Hennart, 2007). This exploration is particularly necessary to alleviate

inconsistencies in empirical findings (Hennart & Slangen, 2015) and to overcome a paucity of strategic solutions that assist managers in a sound entry mode choice that could enhance firm performance (Brouthers, 2013), thereby, reinvigorating the entry mode research.

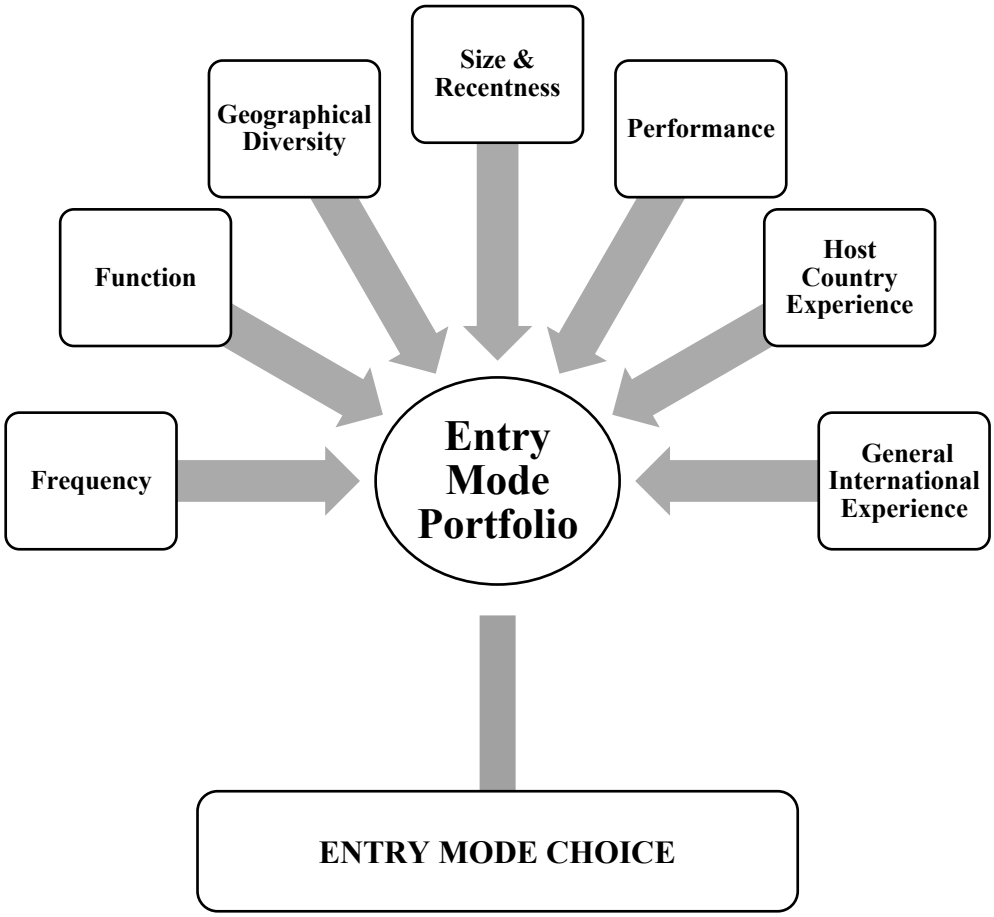
Building on these recommendations and the objective to alleviate the above limitations in entry mode literature, I develop and test a perspective that incorporates the aspects of experience and organizational learning into a new model of entry mode choice known as the Entry Mode Portfolio (EMP) theory. The EMP theory determines the organizational learning that evolves from several attributes of entry mode experience and as a consequence, the collective influence that learning derived from prior foreign market entries on subsequent mode choice. Specifically, the EMP theory examines the interaction among distinct types of organizational learning and the influence of those interactions on the overall synergies and uncertainties associated with a mode choice decision. The EMP perspective offers a comprehensive approach that enables the MNE to exploit synergies and derive greater value from foreign market entries, while mitigating uncertainties and risks associated with mode selection.

A portfolio, as defined in finance, refers to the collection of securities (Berk & DeMarzo, 2011). Consistent with this, I, in the EMP theory, suggest that distinct facets of preceding entry mode experience create a portfolio or a collection of different types of organizational learning known as Entry Mode Portfolio (EMP). The EMP theory examines the impact of this EMP on subsequent mode choice. Researchers have examined role of multiple attributes of experience such as novelty, heterogeneity, success or failure, location, pace and timing of experience in organizational learning (Argote, 2011; Romme & Dillen, 1997). In consistence, theoretical perspectives and empirical findings corroborate the idea that entry mode choice is influenced in important ways through the organizational learning

garnered by various attributes of historical mode experience such as frequency, geographical diversity, host country experience and general international experience (Collins, et. al, 2009; Chan & Rosenzweig, 2001; Ellis, et. al, 2011; Powell & Rhee, 2013; Nadolska & Barkema, 2007; Vermeulen & Barkema, 2001; Erramilli, 1991; Barkema, et. al, 1996; Delios & Beamish, 1999; Hennart, 1991).

Following this idea, I included eight attributes of historical mode experience namely frequency, geographical diversity, performance, size, recentness, function, host country experience and general international experience. The EMP theory first, identifies the contribution of these attributes of historical mode experience towards the portfolio of organizational learning and then, determines the impact of this portfolio on future mode selection (see figure 1). The combined influence of distinct organizational learning alleviates risks and uncertainties associated with an international entry mode decision and assists in a strategic selection of an entry mode.

The varying magnitude and direction of firm-specific risks in each investment nullify each other and assists in reducing the level of risk of overall portfolio (Brealey, et. al, 2011; Berk & DeMarzo, 2011). I utilized this concept of a portfolio with a lowest risk, while deriving highest return from a portfolio and its constituents. Thus, according to the EMP theory, investments of the portfolio i.e. distinct types of organizational learning through their unique strengths tend to mitigate risks and vulnerabilities associated with mode choice decisions by overcoming limitations of the learning derived from one attribute with the learning that evolves from other i.e. lowering the overall risk.



EMP & ENTRY MODE CHOICE

(Figure 1)

In addition, the simultaneous impact of different types of learning facilitate the selection of a superior entry mode by extracting synergies and complimenting the advantages of learning that evolves from one attribute of prior mode experience with another's i.e. facilitating a higher return or performance of international entry. Overall, the EMP theory bases the selection of an entry mode on a portfolio fit i.e. mitigating risks (lower risk) and extracting synergies (higher return) from the collective influence of different constituents of portfolio.

Drawing on these ideas, I believe EMP perspective makes important contributions to

both theoretical and empirical literature. First, using experience and organizational learning as the theoretical anchors along with a portfolio lens, EMP theory lends a unique and profound perspective to entry mode literature by unveiling a holistic influence of historical entry mode experience on entry mode choice. Specifically, by exploring the potential of interdependence among international entries and providing a novel explanation that how the combined influence of organizational learning enables a superior mode of entry choice, EMP theory offers a contemporary perspective that is pertinent for complex international proclivity of MNEs. Second, this collective influence is realized using a broader experience-specific construct that alleviates the inconsistency in empirical findings by yielding a single and unanimous result regarding the impact of experience on firm ownership levels.

Third, by differentiating the influence of behavioural and cognitive learning on entry mode decisions, EMP theory extends previous organizational learning literature that has traditionally analyzed the generic influence of learning derived from prior experience. Fourth, by incorporating the role of function, performance, size and recentness of prior international entries, EMP theory provides novel insights to conventional entry mode studies that ground their theoretical development on the assumption that entry mode decisions are primarily driven by only few specific attributes of experience such as frequency, geographical diversity, general international experience and host country experience.

The paper unfolds as follows. In the following section, I discuss organizational learning, its classification and the consequential role it plays in firm strategic decisions. Next, I detail several attributes of historical entry mode experience and provide explanation regarding their organizational learning, its limitations and dysfunctional impact on entry mode choice and along with discussion of the EMP rationale, that is, how collective influence of different learning could overcome vulnerabilities and extract synergies in a mode of entry

choice. Following that, I provide theoretical explanation of the EMP perspective using resource-based view. In the final section, I outline the key conclusion and contributions of this study, while summarizing the limitations and future research directions for academics and implications for decision-makers in organizations.

3.2.2. ORGANIZATIONAL LEARNING

Organizational learning refers to the development of insights and successful reorganization of firm's problems as manifested in the outcomes and systems or structures of a firm (Fiol & Lyles, 1985). Organizational learning may also be understood as experience accumulated by a firm through a continuous adjustment in search strategies, attention rules and goals of organization, thereby, enhancing firm's ability to operate in a changing environment (Nicolini & Meznar, 1995). Prior literature has addressed organizational learning through several labels including firm's adaptation, new behaviors or routines, new insights, knowledge, skills systems or structures, learning curves, detection or correction of errors, change, unlearning and transformation (Lunderg, 1995; Fiol & Lyles, 1985; Crossan, Lane, White & Djurfeldt, 1995; Argote, 2011; Pellegrino & Naughton, 2017). Simply stated, organizational learning refers to the process by which a firm improves its actions by enhanced understanding and knowledge (Fiol & Lyles, 1985).

A change in organizational knowledge as a function of firm's experience is also conceptualized as organizational learning (Argote, 2011). The transformation of experience creates knowledge that facilitates organizational learning (Pellegrino & Naughton, 2017). Knowledge acquisition, information distribution, information interpretation, and organizational memory constitute key constructs of organizational learning (Huber, 1991). In particular, experience through which an organization learns can be internal or external (Bapuji

& Crossan, 2004). The internal experience refers to firm's previous actions that facilitate internal learning or experiential learning or simply, learning by doing (Romme & Dillen, 1997; Bapuji & Crossan, 2004). Experiential learning acts a key source of knowledge acquisition or creation that constitutes a critical learning construct (Huber, 1991). Firms act as interpretation systems which give meaning to their information accrued through knowledge acquisition (Pellegrino & Naughton, 2017). External experience pertains to the experience of other firms that generates external learning (Romme & Dillen, 1997; Bapuji & Crossan, 2004). Organizations learn by drawing inferences from history and incorporating them into routines that determine the operation and construction of organizations (Levitt & March, 1988). The enhanced knowledge and understanding garnered by a firm through interpretation of prior experiences and an incremental adaptation improve its actions and facilitate organizational learning (Levitt & March, 1988; Fiol & Lyles, 1985).

A central distinction in organizational learning pertains to behavioural and cognitive dimensions of organizational learning. Behavioural dimension assumes organizational learning as the change in firm's behaviour through new responses to feedback from its environment or according to the interpretation (Fiol & Lyles, 1985; Leroy & Ramanantsoa, 1997). According to this approach, learning is considered as an adaptive process and firm as an adaptively rational system that learns from its experience (Leroy & Ramanantsoa, 1997). Behavioural learning is manifested as the change in institutionalized mechanisms including organizational structures, technologies, routines, search strategies and systems (Lundberg, 1995). This learning could be a noticeable change in firm's behaviour without a change in the underlying thinking that motivated the changed behaviour (Crossan, et. al, 1995).

Departing from behaviourist approach that suggests learning as acquisition of habits in response to environmental stimuli, cognitive dimension advocates learning as a gradual

process that actively builds upon environment (Leroy & Ramanantsoa, 1997). Specifically, cognitive development refers to the growth of shared understanding, conceptual schemes and adjustment that influence the interpretation of a firm (Fiol & Lyles, 1985). This approach views learning as the change in information processing, knowledge systems, thought processes, organizational beliefs and interpretation of events (Crossan, et. al, 1995; Leroy & Ramanantsoa, 1997). However, these changes may not be reflected in immediate adjustments in behaviour or organizational performance (Crossan, et. al, 1995; Lundberg, 1995).

The extent of the cognition development is categorized into lower-level and higher-level cognition learning. Lower-level cognition learning is a focused learning that pertains to adjustment of parameters in organizational structure or development of rudimentary associations of behavior and outcomes (Fiol & Lyles, 1985). This level of learning is the outcome of repetition of past behavior and is manifested in specific behavioral outcome, level of performance and other element-adjustments in organizations (Romme & Dillen, 1997; Fiol & Lyles, 1985). It is also referred as the single-loop learning that involves detection and correction of errors, thus, allowing a firm to actualize its present objectives within existing set of rules and norms (Dodgson, 1993; Romme & Dillen, 1997).

Higher-level cognition learning refers to redefining and changing of firm's central norms, assumptions, fundamental rules, cognitive frameworks, interpretive behaviors and frame of references (Romme & Dillen, 1997; Fiol & Lyles, 1985). This learning takes place through the use of heuristics and skill development and resultant associations have long-term impacts on the entire organization (Fiol & Lyles, 1985). Higher-level cognition learning is also referred as the double loop learning i.e. the process of detection and correction of errors that changes organization's underlying, norms, objectives and ideas (Dodgson, 1993; Romme & Dillen, 1997). Though a clear distinction between the two dimensions of organizational

learning is widely accepted, there is also a growing definitional agreement regarding the presence of both cognitive and behavioural elements in organizational learning (Lundberg, 1995). Importantly, these distinct approaches can be viewed complementary as cognitive development may be assumed as incomplete learning without an observable change, while behavioural learning is limited due its short-lived nature and unclear mechanism (Leroy & Ramanantsoa, 1997).

Organizational learning plays a critical role in firm's strategic decisions and outcomes such as innovations (Mckee, 1992; Garrido & Camarero, 2010; Weerawardena, O'Cass, Julian, 2006; Meschi & Metais, 2006), performance of innovations (Liao, Fei & Liu, 2008; Thakur-Wernz & Samant, 2017; Hung, Lien, Yang, Wu & Kuo, 2011; Saban, Lanasa, Lackman & Peace, 2000), e-business adoption (Lin & Lee, 2005) and corporate development activities including new product introduction (Anand, Mulotte & Ren, 2016). In particular, organizational learning gained from prior experience underpins the choice of business domain (Chang, 1995), market selection (Erramilli, 1991), recognition of new product-market opportunities (Bhatti, Larimo & Coudounaris, 2016) and success of subsequent ventures (Pennings, Barkema & Douma, 1994). For instance, Erramili (1991) showed that firms with greater intensity of experience (number of years of international operations) and diversity of experience (geographic scope) preferred culturally dissimilar or less familiar markets owing to accumulated knowledge and reduced uncertainty from previous endeavours). Likewise, Chang (1995) noted that capabilities and learning evolved from firm's earlier international entries in the core line of business and area of competitive advantage facilitate its sequential foreign entry into non-core business domains and areas of weaker competitive advantage. Additionally, organizational learning and cumulative skills gained from prior successful diversified ventures enhanced the probability of success of subsequent expansion projects (Pennings, et. al, 1994).

The impact of prior experience on organizational learning is also suggested in the alliance portfolio literature. Alliance experience is defined as 'the lessons learned as well as the know-how generated through a firm's former alliances' (Heimeriks & Duysters, 2007:29). Previous alliance experience acts a key determinant of alliance success (Anand & Khanna, 2000). As firms accumulate alliance experience, they exhibit learning effects i.e. learn to manage inter-firm alliances that foster positive relation between experience and alliance performance (Anand & Khanna, 2000). Besides enhancing firm's relational capabilities and understanding of alliance management processes, alliance experience assists in the development of a common perspective that elevates absorptive capacity of a firm (Heimeriks & Duysters, 2007; Grant, 1996). In addition, experience fosters firm's ability to manage conflicts and select appropriate partners (Simonin, 1997). The repetitive interactions with alliance partners endow the firm with the foresight for anticipating probable contingencies in subsequent engagements (Anand & Khanna, 2000). Therefore, knowledge of past experience gets embedded into routines and practices of organizations. These routines and capabilities facilitate internal co-ordination and improve the performance of future alliance engagements through organizational learning (Hoang & Rothaermal, 2005).

In the entry mode literature, organizational learning serves as a key theoretical foundation that explains the mode of entry choice (Padmanabhan & Cho, 1999; Brouthers & Nakos, 2004; Powell & Rhee, 2013; Collins, et. al, 2009), choice between acquisitions and greenfields (Hennart, et. al, 2015), formation of JVs and their performance (Aharoni, et. al, 2011), longevity (Barkema, et. al, 1996), pace (Gao & Pan, 2010) and survival of foreign ventures (Vermeulen & Barkema, 2001). Among these, a critical application of organizational learning derived from prior experience pertains to the selection of an entry mode. Essentially, prior entry modes constitute firm's internal experience that generates experiential learning and determines subsequent entry mode choice. Firms observe, interpret and reflect on their

previous entry modes and deduce implications for future strategies (Ang & Joseph, 1996). Prior studies suggest that firms learn from distinct attributes of entry mode experience and that learning determines subsequent mode selection.

The empirical study by Padmanabhan and Cho (1999) showed that a greater decision-specific experience, that is, experience with a specific mode (combined measure of frequency and years of operation of an entry mode) enhances firm's learning that underlies the selection of same mode in the future. Barkema & Vermeulen (1998) revealed that greater multinational diversity i.e. the number of countries in which a firm has established its broadens the horizons of firm's ideas and information through exposure to distinct consumer needs, testing grounds, competitors and collaborator, therefore, mitigating innovating risks and increasing R&D proclivity through independent ventures (Barkema & Vermeulen, 1998). In the similar vein, Chan and Rosenzweig (2001) revealed that the employment of acquisition or JV as a first mode of entry in a specific business domain facilitated the likelihood of establishment of same mode in subsequent entries in that line of business. The existence of path dependency and increase in firm's familiarity with the implementation of the initial mode reduces uncertainty and enhances firm's commitment to that mode for future investments (Chan & Rosenzweig, 2001).

The above studies suggest that while an entry mode represents a strategic action that facilitates organizational learning, a mode of entry choice might be the outcome of that experiential learning (Foil & Lyles, 1985; Padmanabhan & Cho, 1999; Barkema & Vermeulen, 1998; Erramilli, 1991). Building upon this idea and the fact that several dimensions of experience such as its novelty, heterogeneity, success or failure, location, pace and timing facilitate organizational learning (Argote, 2011; Romme & Dillen, 1997), I take into account distinct attributes of previous entry mode experience and employ organizational

learning as the theoretical foundation to develop a new perspective known as EMP theory. EMP theory analyses the combined influence of organizational learning derived from several attributes of historical entry mode experience on subsequent entry mode choice and suggests that this collective influence assists in a sound entry mode selection.

3.2.3. EXPERIENCE ATTRIBUTES, LEARNING & LIMITATIONS

EMP theory takes into account eight attributes of previous entry mode experience namely frequency, geographical diversity, performance, size, recentness, function, host country experience and general international experience. Identifying distinct types of learning and its limitations that evolve from these key characteristics, EMP perspective theorizes how the combined influence of learning mitigates these limitations and facilitates a sound mode of entry choice.

3.2.3.1. FREQUENCY

Frequency is defined as the number of times an entry mode has been used by a firm for its international operations. For example, the frequency of a joint venture refers to the number of times a firm has employed joint venture as an international mode of entry. A greater frequency of an entry mode suggests a repetitive application of that mode of entry. The recurrent use of an entry mode enhances firm's experience with each implementation of that entry mode. As experience forms a key source of knowledge acquisition (Huber, 1991), a higher frequency of a specific entry mode enables the firm to acquire greater knowledge through accumulation of experience with that mode.

The repeated application of organizational routines developed from prior use of similar strategies enriches the knowledge base of a firm and determines its competitive

advantage (Padmanabhan & Cho, 1999). In particular, experience refines firm's routines by determining the appropriateness of old routines in new situations and combining earlier successful routines with new routines, therefore, creating novel and productive repertoires (Nadolska & Barkema, 2007). For instance, a higher acquisition frequency hones established routines and competencies as well as induces the firm to leverage these routines in subsequent acquisitions (Haleblian, et. al, 2006). Additionally, the repetitive employment of acquisitions endows the firm with skills and knowledge that are critical in pre-acquisition evaluation and post-acquisition integration phases, thereby, deepening firm's understanding and learning (Collins, et. al, 2009; Haleblian, et. al, 2006). Likewise, Lyles (1994) theorizes that frequency of JVs plays a key role in subsequent processes and negotiations of a JV formation through organizational learning.

The repeated implementation of an entry mode, thus, enables firms to draw inferences from prior applications and incorporate them into their routines that determine their future behaviour. The enhanced understanding and knowledge garnered through each implementation of an entry mode strategy assist firms in improving their actions in subsequent application of that mode. The implications of a higher frequency of a specific entry mode, therefore, encompass the accumulation of knowledge, cognizance of feedback of earlier actions and creation of effective routines. Essentially, a change in organizational knowledge through experience is defined as the organizational learning (Argote, 2011). In addition, encoding inferences from history into routines (Levitt & March, 1988), change in state of knowledge (Wang & Ahmed, 2003), association between past and future actions (Fiol & Lyles, 1985) and knowledge acquisition (Huber, 1991) form essential constituents of organizational learning. Therefore, a higher frequency of an entry mode underpinned by repetitive mechanism could be inferred to facilitate organizational learning.

With respect to the type of organizational learning, I posit that a higher frequency of an entry mode fosters lower-level cognitive learning. Specifically, cognitive learning refers to the growth of shared understanding and the change in knowledge systems, thought processes and firm's interpretation of events (Fiol & Lyles, 1985; Crossan, et. al, 1995; Leroy & Ramanantsoa, 1997). The repetition of prior behaviours and routines facilitate lower-level cognition learning in which firms engage in finding and amending errors and actualizing their objectives within existing set of rules and norms (Dodgson, 1993; Romme & Dillen, 1997; Fiol & Lyles, 1985). Besides occurring in contexts well understood and controlled by the management, lower-level cognition learning is manifested in specific behavioural outcome and element-adjustments in organizations (Romme & Dillen, 1997; Fiol & Lyles, 1985).

In consistence with the underlying rationale of lower-level cognition learning, entry mode selection forms a key strategic action that reflects management's understanding and preference for desired level of control, risks and resource commitment associated with an international entry (Anderson & Gatignon, 1986). In other words, repetitive selection and utilization of an entry mode forms an appropriate context that fosters lower-level cognitive learning. The association between high frequency of an entry mode and lower-level cognitive learning could also be explained by the economic school of thought of organizational learning i.e. learning by doing (Bell, Whitewell & Lukas, 2002). The influence of learning by doing or cumulative experience in terms of productivity improvements or decreasing cost functions has been elucidated under various labels including learning curve, progress ratio and experience curve (Bell, et. al, 2002; Bapuji & Crossan, 2004; Huber, 1991; Levitt & March, 1988; Levinthal & March, 1993). This perspective suggests that cumulative production experience underpinned by repetitive mechanism fosters productivity improvements and cost reductions through organizational learning accrued from experience (Bell, et. al, 2002).

In entry mode context, a higher frequency of an entry mode allows the firm to amend errors associated with implementation of that mode in next iteration, while increasing the efficiency of establishment of that mode. In accordance with these ideas, Padmanabhan and Cho (1999) maintain that higher frequency and years of operation of a specific entry mode assists in learning that elevates firm's value by reducing overall implementation costs associated with the redeployment of existing routines i.e. establishing the same mode in future. Likewise, Tahir and Larimo (2004) suggest that prior experience manifests in organizational routines and firms prefer to use same strategies that enhance its value by reducing its implementation costs. Additionally, Nadolska and Barkema (2007) show that higher frequency of acquisitions aids in the creation of routines for acquisition and integration processes such as screening and selection of targets as well as determining optimal level of integration. The formation of routines reduces time and cognitive effort devoted by a firm on individual acquisition, thereby, enhancing the efficiency of future acquisitions (Nadolska & Barkema, 2007). Hence, organizational learning derived from a higher frequency of an entry mode is an illustrative of lower-level cognition learning that evolves from the detection and correction of errors through repeated exposure to same activity, while the influence of the learning is manifested in lower cost and higher productivity in subsequent application of that entry mode.

Although above explanations highlight advantages of mode selection based upon the frequency of entry modes, the downside of this entry mode decision is that it may evolve from organizational inertia (Padmanabhan & Cho, 1999). The successive utilization of a specific action triggers processes that become routinized and guide firm's choice towards prior actions, therefore, reinforcing a path dependent learning (Collins, et. al, 2009). The initiation of the pattern or direction of organizational action is followed by the routinized behaviour of the firm that is subjected to organizational inertia (Collins, et. al, 2009). Specifically,

organizational inertia refers to the resistance to organizational change fostered by established routines, patterns of thinking, behaviour and mechanisms that support current way of doing tasks (Shimizu & Hitt, 2005). Organizational inertia may be viewed as stagnation in organizational facets including structures, policies, competitive strategies and managerial ideologies that limit firm's adaptation to a changing environment (Miller & Chen, 1994; Hannan & Freeman, 1984; Kelly & Amburgey, 1991).

Organizational inertia is also conceptualized as organizational momentum i.e. biasness in direction of organizational evolution (Miller & Friesen, 1980). Momentum evolves when the change is based upon the elaboration of core policy that inhibits the reversal in direction of change in strategic variables (Miller & Chen, 1994). Several factors including managerial hubris, sunk costs, historical precedents, organizational myths, political forces, maintenance of stability, inability to innovate and uncertainty regarding the outcomes of a change facilitate organizational inertia (Jennings & Seaman, 1994; Miller & Friesen, 1980; Shimizu & Hitt, 2005; Colombo & Delmastro, 2002).

A higher frequency of an entry mode could be ascribed to structural inertia. Organizational reliability and accountability generate the need for stable or reproducible structures through institutionalization, standardization and formalization of organizational facets, which in turn, provide resistance to organizational change (Hannan & Freeman, 1984; Kelly & Amburgey, 1991). An institutionalized entry mode underpinned by higher frequency could exert a similar influence on firm's subsequent mode selection. For instance, Lu (2002) shows that a greater employment of an entry mode propagates that mode as a taken-for-granted entry strategy that is difficult to alter and, thus, reinforces its application in subsequent entries. As search rules change slowly and firms are conditioned by prior solutions, they continue to adopt their previous strategies (Swoboda, et. al, 2015). Entry

modes used frequently in past become tends to habitualised owing to an imprinting mechanism that facilitates the maintenance of structures and processes used by organization during its earlier stages (Swoboda, et. al, 2015). Similarly, Yiu and Makino (2002) found that firms engage in internal mimicry i.e. organizational practices conform to an entry mode that is institutionalized and exhibits high cognitive legitimacy, thus, fostering the repetition of prior strategies. The learned behaviour exerts dominance in decision-making processes that leads to automatic application of prior modes in subsequent entries (Collins, et. al, 2009). Firms may also perceive prior actions as less risky and more beneficial with greater chances of success; therefore, continue utilizing established strategies (Collins, et. al, 2009; Haleblian, et. al, 2006).

The selection of an entry mode underpinned by organizational inertia and momentum has several drawbacks. Inertia hampers strategic flexibility that maintains competitive advantage and aligns firm's strategy and structure with dynamic environment (Shimizu & Hitt, 2005). The repetitive utilization of an entry mode helps a firm to build greater competence with that mode of entry, however, an extensive engagement in competent niches impedes firm's learning in alternative areas and makes a firm vulnerable to environmental changes (Levinthal & March, 1993). Stated differently, core capabilities function as core rigidities that interfere in firm's adaptation to new contexts and inhibit performance (Levinthal, 1995; Miller & Chen, 1994). Firms could also suffer from learning myopia i.e. learning mechanisms that tend to overlook distant places and contexts (Levinthal & March, 1993). As environments change and require distinct response (Levinthal, 1995), a dedicated employment of an entry mode can be an obsolete strategy. A need to unlearn previous adopted strategies in order to adapt to new situations, thus, arises (Levinthal, 1995). However, pre-established conceptual frameworks, communication bottlenecks, fragmented structures, political, personal and psychological resistance thwart unlearning efforts (Nicolini

& Meznar, 1995). Therefore, an entry mode choice underpinned by organizational inertia entails several limitations.

Empirically, findings exhibit mixed results regarding the impact of frequency of an entry mode on subsequent mode choice. Padmanabhan and Cho (1999) revealed that decision-specific experience (a composite measure of frequency and years of operations of each entry mode) plays a significant role in the next entry mode selection. A greater decision-specific experience with a specific ownership mode influences the selection of the same mode in future (Padmanabhan & Cho, 1999). Likewise, Lu (2002), Yiu and Makino (2002) and Swoboda, et. al (2015) showed that a greater employment of a specific entry mode enhanced the utilization of the same mode in subsequent entries. Additionally, Haleblian, et. al (2006) and Collins, et. al (2009) showed that a greater participation of firms in acquisition establishments increased the probability of subsequent international acquisitions. While Haleblian, et. al (2006) ascribed their result to development of routines that serve as guidelines for future acquisitions, Collins and colleagues (2009) based their findings on routine formation and repetitive momentum that facilitate the creation of subsequent acquisitions. In consistence with these findings, Nadolska and Barkema (2007) revealed that a higher frequency of acquisition assists in creation of routines that enhance the efficiency of future acquisitions, thereby, increasing the number of acquisitions undertaken by a firm in a specific year.

In contrast, a few empirical studies reveal divergent results. Larimo and Arslan (2013) found a non-significant relationship between frequency-based experience and ownership mode choice (Larimo & Arslan, 2013). Guillen (2003) found that prior use of joint venture reduces subsequent employment of joint ventures. A firm that possesses substantial experience in joint venturing and that is endowed with high level of intangible assets is

vulnerable to contractual hazards and risks of dissipation; hence, a firm is dissuaded from pursuing joint ventures in its future strategies (Guillen, 2003). Additionally, Vermeulen and Barkema (2001) revealed that a higher number of prior greenfield establishments shaped the firm's preference for acquisition as the subsequent mode of entry and vice versa. The extended employment of greenfields creates a narrower knowledge base and reduces the viability of new ventures, thereby, increasing the likelihood of acquisitions that enable the access to novel technological resources and assist in creation of new skills (Vermeulen & Barkema, 2001). However, a continuous use of acquisitions enriches firm's knowledge base that fosters the likelihood of greenfields to exploit diverse knowledge base and obviate post-acquisition problems (Vermeulen & Barkema, 2001). A higher frequency of foreign manufacturing FDIs was also found to enhance the Finish firm's preference for greenfields as extensive experience endows firms with structural ability to adapt and avoid the barriers of integration with acquired firm (Arslan & Larimo, 2011).

One of the reasons for inconsistent findings could be the consideration of one attribute of entry mode experience i.e. frequency alone by prior studies in explaining the subsequent mode of entry choice. High frequency of an entry mode contributes to organizational learning; however, this learning does not reflect the holistic learning gained by a firm through its overall entry mode experience or its additional attributes. For instance, geographical diversity (number of different countries in which a firm has established its international operations) plays a consequential role in organizational learning and mode selection. Empirically, Brouthers et. al (2008a) revealed that geographical diversity enhanced the firm's strategic flexibility of operations in distinct countries and shaped the MNE's preference for wholly-owned modes or independent exporting. Likewise, additional characteristics of entry mode experience namely performance, function, host country experience, size and recentness facilitate distinct types of organizational learning that impact the selection of future entry

modes.

Further, the collective influence of these attributes of experience on entry mode choice could not only be different from that of frequency alone but may also override the impact of frequency on firm's next mode choice. For instance, the positive effect of greater acquisition frequency on firm's preference to acquire is mitigated by poor acquisition performance that depreciates the legitimacy of established acquisitions-related routines and induces the firm to adopt a different entry mode (Haleblian, et. al, 2006). However, a higher frequency of acquisitions when accompanied with a higher performance of a recent acquisition increased the likelihood of future acquisitions (Haleblian, et. al, 2006). Thus, performance of prior entry modes moderates the influence of frequency on future mode selection. Likewise, the timing of previous experience plays a key role as Cho and Padmanabhan (2001) revealed that new decision-specific experience is marginally more significant than old-decision specific experience in entry mode choice. In sum, the cognizance of one attribute of experience generates a narrow perspective that obscures the influence of other attributes that prevails upon future mode selection through organizational learning. The incongruent findings concerning the impact of frequency on entry mode choice, therefore, could be attributed to employment of frequency as the lone contributor of organizational learning and its isolated influence on subsequent mode selection.

In order to alleviate these limitations, I, in the EMP theory, combine the organizational learning derived from several attributes of historical entry mode experience as EMP and determine its influence on subsequent mode selection. Importantly, the interaction among different organizational learning mitigates the drawbacks associated with learning derived from frequency namely organizational inertia, momentum and limited strategic flexibility. For instance, performance of prior modes acts as a panacea against organizational

inertia. In particular, failure assists a firm in recognizing knowledge gaps and actualizing knowledge developmental efforts that alter established organizational structures and practices (Madsen & Desai, 2010). Poor performance of acquisitions encourages a firm to reassess its existing strategies and identify new strategies that can enhance firm performance (Haleblian, et. al, 2006). The failure of prior modes, thus, serves as an effective mechanism to break constrains of inertia and repetitive momentum that evolve from a greater frequency of specific mode of entry and assists the firm to engage in objective mode selection that elevates firm performance.

Likewise, geographical diversity i.e. operations in different foreign markets enables the firm to garner heterogeneous experience and develop enriched knowledge structures (Barkema & Vermeulen, 1998; Zahra, Ireland & Hitt, 2000). The enhanced knowledge broadens the scope of experiential knowledge regarding diverse regulative, normative and cognitive institutional environments and facilitates a deeper understanding regarding geographically dispersed business operations particularly diverse consumers, suppliers, competitors and collaborators (Barkema & Vermeulen, 1998; Powell & Rhee, 2013). Organizational learning that evolves from geographical diversity, thus, alters firm's existing beliefs, assumptions, interpretive behaviours, frame of references and interpretations that tends to overcome inertial tendencies in entry mode selection decision. Hence, the EMP theory suggests that entry mode choice based upon the interaction and collective influence of learning derived from several attributes of prior experience facilitates synergies and mitigates risks in an international entry.

3.2.3.2. GEOGRAPHICAL DIVERSITY

Geographical diversity of entry modes refers to different countries or foreign markets in which a firm has established its international operations (Brouthers, et. al, 2008a; Barkema & Vermeulen, 1998; Casillas & Moreno-Menéndez, 2014; Capar & Kotabe, 2003; Slangen & Hennart, 2008). Prior studies have addressed geographical diversity through several labels including international diversification, geographic scope and multinationality (Capar & Kotabe, 2003; Gomes & Ramaswamy, 1999; Barkema & Vermeulen, 1998; Casillas & Moreno-Menéndez, 2014; Slangen & Hennart, 2008). For simplicity, I would use the term geographical diversity. In the EMP theory, geographical diversity pertains to the number of distinct countries of preceding international entry modes of the firm.

Given the differences in the institutional environments of different nations (Collins, et. al, 2009), a firm that operates in several host countries experiences diverse regulative, normative and cognitive institutional environments. The diversity of nations, thus, endows the firm with enriched knowledge repertories consisting a variety of legal and statutory requirements, political conditions, societal expectations, beliefs, norms, and cultural sensitivities. Particularly, prior operational experience in diverse cultural clusters enhances firm's learning regarding processes to acquire the institutional knowledge in new host country or an institutional setting (Chetty, Eriksson & Lindbergh, 2006). Firm's familiarity with routines and structures employed to garner and assimilate institutional knowledge assists in identifying the type and location of new institutional knowledge as well as enhances the perceived importance of institutional knowledge in ongoing operations (Chetty, et. al, 2006). Powell and Rhee (2013) express a similar idea that heterogeneous experience accrued from operations in diverse regulatory institutionally distant locations creates richer and complex knowledge structures that are more readily applicable in new contexts. In addition, a greater

variance in experience with regulative institutional distance requires a focused analysis to discern the underlying factors, thereby, creating a deeper understanding regarding operations in institutionally distant or less transparent locations (Powell & Rhee, 2013).

Overall, operations in multiple and different foreign markets broaden the horizons of firm's knowledge and information by enhancing its exposure to distinct demand characteristics, consumer needs, suppliers, competitors and collaborators (Barkema & Vermeulen, 1998). The enhanced knowledge generates free flow of new ideas and multiple perspectives for an international new venture (Zahra, et. al, 2000). Hence, diversity of foreign markets leads to the accumulation of heterogeneous experience and an enriched knowledge base. As knowledge acquisition forms a core organizational learning construct (Huber, 1991), a greater diversity of experience accumulated through several countries of operations can be inferred to facilitate organizational learning. Additionally, as firm environment is one of the key contextual factors that create and reinforce learning (Fiol & Lyles, 1985), therefore, diverse countries or national settings represent appropriate context in which organizational learning evolves.

With respect to the type of learning, I propose that a greater geographical diversity of prior entry modes facilitates higher-level cognition learning. Specifically, the variation in contexts of tasks facilitates the development of schemas and implicit learning that may be gradual and inconspicuous (Schilling, Vidal, Ployhart & Marangoni, 2003). Likewise, the influence of distinct countries of operations or foreign contexts on firm's understanding and learning about the management of independent and complex strategies (Brouthers & Nakos, 2004) could be interpreted to alter firm's core knowledge systems, beliefs and assumptions that may not be visible behaviourally. As geographical diversity elevates the ability of a firm to learn in diverse contexts and redistribute that learning across its geographically dispersed

business operations (Powell & Rhee, 2013), a firm could develop new frames of references, insights and interpretive behaviours. Since a change in beliefs, assumptions, thought processes as well as development of new behaviours and interpretations constitute the nuances of higher-level cognition learning (Fiol & Lyles, 1985; Lyles, 1994; Leroy & Ramanantsoa, 1997), a greater geographical diversity of entry modes can be assumed to facilitate higher-level cognition learning.

Previous IB studies have pointed to the importance of geographical diversity in several organizational facets. Geographical diversity allows the firm to leverage key benefits including economies of scale and scope, exploitation of tangible and intangible resources and sharing of competencies across operations in multiple locations (Capar & Kotabe, 2003). Besides endowing the firm with strategic flexibility, geographical diversity hones technological capabilities and depresses risks of innovations (Brouthers, et. al, 2008a; Barkema & Vermeulen, 1998). In addition, exposure to distinct types of national contexts, political institutions and country-specific knowledge facilitates international capabilities and internationalization speed of a firm (Casillas & Moreno-Menéndez, 2014). The diversity in cultural values, practices and management styles also enables firm to overcome their pre-developed cognitive structures and mental maps in interpretation of causal connections, thereby, decreasing the probability of subsidiary mortality when a firm is new to a dissimilar culture (Zeng, et. al, 2013).

Geographical diversity of entry modes, however, entails several drawbacks. In particular, Zahra, et. al (2000) revealed that though geographical diversity enhanced the speed of learning, a continued expansion in international market leads to information overload that adversely impacts the pace of learning. Likewise, Gomes and Ramaswamy (1999) showed that performance related benefits increase with extent of geographical diversity up to a certain

point, after which benefits decrease and overall costs associated with control and coordination, management of culturally distinct markets and diverse human resources tend to increase. Therefore, a greater extent of geographical diversity may lead to complexity and overload. Since a firm experiencing an overload may not learn (Fiol & Lyles, 1985), an appropriate level of geographical diversification needs to be discerned by the internationalizing firm.

Further, higher-level cognition learning could be afflicted with superstitious associations. Superstitious experiential learning is an incomplete learning cycle in which learning is manifested as a change in organizational behaviour due to interpretation of outcomes of prior actions, however, that behavioural change does not have a significant influence on consequences (March & Olsen, 1975). In entry mode context, firms may interpret prior experience in multiple locations in a tangential way and adopt a strategy without any significant benefits or enhanced performance. A firm could inaccurately ascribe outcomes to its abilities or actions and misguide future activities. These errors stem from management's overconfidence founded upon the improvement in competencies through accumulation of experience, thereby, leading to repetitiveness of inaccurate lessons (Zeng, et. al, 2013). In other words, organizations could be trapped in self-destructive dynamics of learning due to excessive exploitation (Levinthal & March, 1993; Bapuji & Crossan, 2004). Hence, experience and lessons garnered in diverse national settings need to be cautiously interpreted by firms for their appropriate application.

Prior empirical literature has measured geographical diversity through several constructs namely ratio of foreign sales to total sales, ratio of foreign assets to total assets and the number of foreign countries in which a firm has subsidiaries (Tsang & Yamanoi, 2016; Klier, et. al, 2017; Capar & Kotabe, 2003; Gomes & Ramaswamy, 1999; Barkema &

Vermeulen, 1998; Casillas & Moreno-Menéndez, 2014; Brouthers, et. al, 2008a; Slangen & Hennart, 2008).

With respect to findings, the impact of geographical diversity on subsequent entry mode selection has not been conclusive. Brouthers and colleagues (2008a) found out that geographical diversity enhanced the likelihood of wholly-owned modes or independent exporting owing to increase in firm's strategic flexibility with distinct countries of operations. Likewise, Brouthers and Nakos (2004) revealed that geographical diversity enabled firms to build stronger internal control systems that depressed behaviour-related uncertainties, thereby, increasing the adoption of equity modes of entry. In addition, Powell & Rhee (2009) showed that firms experienced in diverse regulatory institutions developed an enhanced understanding of operations in less transparent environments that reduced the need of local partners and increased the likelihood of majority-owned modes in institutionally distant locations.

In contrast, Erramilli (1991) found U-shaped but a not a very significant relationship between firm's propensity to employ full-control entry modes and geographic spread of international experience. In early stages, the adoption of high-control modes is attributed to ethnocentric orientations of novice international firms (Erramilli, 1991). As firm garners operational experience, transaction uncertainty and ethnocentricity tend to mitigate which fosters a greater acceptance for shared control entry modes, thereby declining the propensity of control from 'low' to 'moderate' levels of experience. Further, the accumulation of diverse experience builds firm's confidence for superior evaluation of risks and returns and independent management of foreign operations through high-control modes (Erramilli, 1991).

For WOSs, while Caves and Mehra (1986) revealed a positive and significant relationship between the extent of geographical diversity and likelihood of an acquisition, Barkema and Vermeulen (1998) found that greater geographical diversity facilitated the

creation of greenfields. In consistent with Barkema and Vermeulen's (1998) results, Slangen and Hennart (2008) found that in culturally distant countries, firms with extensive geographical diversity had a stronger preference for greenfields, however, MNEs that had limited geographical diversification were more inclined towards acquisitions. Nevertheless, the replication of Barkema & Vermeulen's (1998) study by Tsang and Yamanoi (2016) revealed that geographical diversity decreased the likelihood of subsequent establishment of greenfields. A probable reason for these dichotomous findings could be that Tsang and Yamanoi (2016) based their analysis on newly industrialised emerging market firms in Singapore that engaged in strategic asset seeking through acquisitions, while Barkema & Vermeulen (1998) employed developed country firms that leveraged their superior technology and expertise in new foreign location through greenfields. Overall, there is a lack of empirical consensus regarding the influence of geographical diversity on future mode selection.

The inconsistency in findings could be ascribed to previous research's focus on the impact of organizational learning that evolves from only one attribute of prior entry mode experience i.e. location of preceding entry modes. Besides geographical diversity, prior entry mode experience is characterized by function, recentness, performance or frequency that facilitate distinct types of organizational learning and influence subsequent mode choice. For instance, sales function of an international entry provides the information about country risks, labour disputes, political and economic instability that helps the firm to accurately assess risks and uncertainty in the host nation (Morschett, et. al, 2008). Additionally, Chan and Rosenzweig (2001) revealed a positive association between a firm's prior international sales experience and its preference for greenfields over acquisitions or JVs. Given the influence of additional attributes, the need to analyse the impact of holistic learning accrued prior entry mode experience on future mode choice is critical.

The consideration of additional attributes of historical mode experience is also imperative to alleviate drawbacks such as superstitious learning and information overload that stem from excessive geographical diversification. Particularly, general international experience hones firm's understanding and market sensing capabilities to understand unique characteristics of foreign market (Mutinelli & Piscitello, 1998; Arslan & Larimo, 2010). As a firm accumulates international experience, it matures and develops a greater sense of understanding regarding foreign operations (Gatignon & Anderson, 1988). In other words, this learning or maturity enables the firm to overcome superstitious learning and capture only relevant inferences from distinct national settings. In particular, general international experience instils within the firm the confidence and competence critical for cross-border engagements (Mutinelli & Piscitello, 1998; Anderson & Gatignon, 1986), therefore, a firm could manage information overload that evolves from excessive geographical diversification. Taking into account these interactions among different learning and their role in mitigating risks and harvesting synergies in mode selection decision, EMP theory takes the cognizance of several attributes of preceding entry mode experience and determines the collective impact of organizational learning derived from these attributes on subsequent mode choice.

3.2.3.3. PERFORMANCE

Most conceptual and empirical work in the entry mode field has sought to identify the factors that determine the selection of an entry mode (Gatignon & Anderson, 1988; Erramilli & Rao, 1993; Brouthers & Brouthers, 2003; 2001; Brouthers, Brouthers & Werner, 2003, Padmanabhan & Cho, 1996; Hennart & Larimo, 1998; Lu, 2002; Ekeledo & Sivakumar, 2004; Yiu & Makino, 2002; Kogut & Singh, 1988; Agarwal & Ramaswami, 1992; Nakos & Brouthers, 2002; Kim & Hwang, 1992). A few studies have looked into the influence of entry mode choice on the performance of mode (Haar & Marinescu, 2014; Hollender, et. al, 2017;

Larimo & Nguyen, 2015; Lopez-Duarte & Vidal- Suarez, 2008; Meschi & Metais, 2006; Martin, 2013; Nitsch, Beamish, & Makino, 1996; Sharma, 1998; Kim & Gray, 2008; Slangen & Hennart, 2008; Brouthers, et. al, 1999; Woodcock, Beamish & Makino, 1994). A dedicated stream of research that views performance of prior modes as a determinant of subsequent entry mode choice is in its infancy. To date, there are only handful of empirical studies that recognize performance as an antecedent and investigate its impact i.e. success or failure of prior entry modes on the selection of next mode of entry (Haleblian, et. al, 2006). This paucity of existing research offers a significant opportunity for theory building. Specifically, the scantly treated subject warrants the investigation of performance of prior modes as an independent variable and its influence on subsequent mode of entry choice. The EMP theory recognizes the contribution of success and failure of previous entry mode modes towards organizational learning and the influence of that learning on next mode selection.

A number of explanations signify the role of success and failure in organizational learning. A group of scholars including Argote (2011), Romme and Dillen (1997) and Madsen and Desai (2010) suggest that outcomes of prior actions foster a change in organizational knowledge that facilitates organizational learning. The increase in availability and accuracy of feedback determined from the results of organizational actions contribute towards firm's learning (Huber, 1991). Organizational routines take the cognizance of feedback about outcomes through interpretation of prior experience and adapt to them incrementally (Levitt & March, 1988). In addition, performance monitoring i.e. when an organization discerns its effectiveness in accomplishing its earlier established goals or stakeholder's requirements assists the firm in acquiring knowledge (Huber, 1991). As organizational learning refers to the process by which a firm improves its actions by enhanced knowledge (Fiol & Lyles, 1985), the knowledge gleaned from performance of prior actions can be assumed to foster organizational learning. Importantly, a key point to be considered is

that learning from prior experience takes place only when an organization pays attention to the importance of that experience and interprets lessons that are utilized in future strategies (Hong, 2016).

According to the EMP theory, the performance of prior entry modes facilitates both lower- and higher-level of cognition learning. While the success of historical entry modes leads to a lower-level cognition development, the failure assists in higher-level cognition learning. The lower-level cognition learning pertains to the outcome of repetition of past strategies as well as encompasses the detection and correction of errors within firm's existing set of rules and norms (Dodgson, 1993; Romme & Dillen, 1997; Fiol & Lyles, 1985). A similar influence of success of previous entry modes on firm's learning could be inferred through repetitive implementation of successful mode. Essentially, routines associated with successful outcomes are likely to frequently employed in contrast to those that fail to achieve targets (Levitt & March, 1988).

The repetitiveness of successful organizational actions has been attributed to several reasons including increase in firm's confidence in its competence and knowledge, introverted complacency, structural inertia, organizational momentum and a lower risk in subsequent employment (Madsen & Desai, 2010; Starbuck & Hedberg, 2003; Levinthal & March, 1993; Levitt & March, 1988). Haleblian and colleagues (2006) suggest that prior acquisition success encourages a firm to pursue acquisitions in future owing to self-assurance and capabilities garnered through the success of earlier strategies. A firm tends to become more confident of knowledge and skills possessed by it, thereby, decreasing its search for alternatives and engaging in persistence exploitation of successful strategies (Haleblian, et. al, 2006). The greater exploitation of the successful entry mode, thus, would allow the firm to amend errors associated with implementation of that mode, while increasing the efficiency of utilization of

modes. Therefore, the repeated implementation of a successful entry mode represents an appropriate context that fosters lower-level cognitive learning.

In a similar vein, a failure too offers a prolific opportunity for firm's learning (Romme & Dillen, 1997). The perception of mismatch between organizational performance and actual outcomes triggers the learning and search for the novel solutions through trial and error process (Leroy & Ramanantsoa, 1997). A failure assists the firm in recognizing the existence of a knowledge gap as well as actualizing knowledge developmental efforts that alter established organizational structures and practices (Madsen & Desai, 2010). Besides acting as source of information, moderate levels of failure direct the attention of firm towards potential problems and appropriate solutions (Starbuck & Hedberg, 2003). Specifically, a failure motivates managers to undertake remedial strategies and a problem-driven or problemistic search that identifies the underlying problem and provides information for corrective actions (Miller & Chen, 1994; Ref & Shapira, 2017). A failure experience, thus, motivates the organization to change its existing knowledge and to comprehend meaningful knowledge from that experience, i.e. sufficing two necessary conditions for experiential learning to take place (Madsen & Desai, 2010).

In case of entry modes, poor performance of prior acquisitions encourages the firm to reassess their existing strategies and identify new strategies that can enhance firm's performance (Haleblian, et. al, 2006). According to performance feedback perspective, decision makers pay attention to prior JV failure experience in the focal host country or local context, thereby, searching and inferring lessons from prior experience accumulated in country of a subsequent JV (Hong, 2016). The failure experience suggests the inadequacy of existing models of world held by the firm and encourages the firm to abandon the existing status quo, while engaging in deep reflection and search for appropriate representation of

reality (Madsen & Desai, 2010). Therefore, implications of a failure of an entry mode encompass a change in firm's central norms and values, unlearning, development of new frames of references and interpretive behaviours. These influences are essentially the illustrations of higher-level cognition learning that pertains to the detection and correction of errors through changes in organization's underlying norms, objectives, frame of references and interpretation (Huber, 1991; Dodgson, 1993; Romme & Dillen, 1997). The failure of a prior entry mode is, thus, postulated to have the same influence on firms as that exerted by higher-level cognition learning. Additionally, learning associated with failure may be gradual and can occur without a change in observable behaviour, therefore, reinforcing the link between failure and cognition development as the latter does not associate the change in knowledge with a change in organizational behaviour (Leroy & Ramanantsoa, 1997).

The influence of performance of prior entries on subsequent mode selection has received little attention and, therefore, there are only few studies that are based upon this stream of thought. For instance, Lyles (1994) theorized that performance of prior joint ventures plays a key role in subsequent JV formation. The failure experience of a JV triggers the organizational attempts to assess the effectiveness of success programs and determine the cause of a failure (Lyles, 1994). Therefore, poor performance of JVs constitutes a critical learning that can modify established routines for subsequent JV proclivity (Lyles, 1994). Empirically, Haleblian, et. al (2006) revealed that higher performance of most recent acquisition increased the likelihood of subsequent acquisition. A strong performance generates a positive feedback and elevates firm's confidence, thus, facilitating the repetition of prior actions (Haleblian, et. al, 2006). In particular, higher performance associated with an acquisition deems that strategy as less risky and more rewarding proposition for the future (Haleblian, et. al, 2006). However, negative feedback gleaned from poor performance was found to decrease the adoption of acquisition in subsequent entries (Haleblian, et. al, 2006).

Poor performance undermines the effectiveness of existing strategies and propels the search for new potential strategies that can accomplish firm's objectives, thereby, foregoing acquisitions as the next mode of entry (Haleblian, et. al, 2006).

Nevertheless, the impact of success or failures of prior entry modes may not prove efficacious in all circumstances. Organizational success can be interpreted as an endorsement that knowledge held by a firm is an adequate and accurate reflection of world, and that further development of knowledge is not critical (Madsen & Desai, 2010). Success may not only dissuade a firm from performing a non-local search but also induce the firm to adopt pre-mature suboptimal world-views and ignore the environmental feedback (Madsen & Desai, 2010). In particular, organizational success often fosters a corporate culture that consists of power centres with managers acting as heroes that facilitate their strategies and stewardship (Miller & Chen, 1994). The distinguished status of managers provides them respect and power due to which they suppress challenges to their practices, thereby, decreasing the employment of new competitive strategies (Miller & Chen, 1994).

Long-term success gives rise to introverted complacency and firms may elaborate their prior success strategies (Starbuck & Hedberg, 2003). Besides impeding firm's ability to learn radically and re-orient strategically, chronic success leads to structural and strategic inertia, inattention, and insularity (Starbuck & Hedberg, 2003). Specifically, organizational inertia that evolves from good performance dissuades the decision makers from making vigilant environmental scanning, while making them less reluctant toward organizational change (Miller & Chen, 1994). Therefore, the primacy of prior successful practices could give rise to organizational momentum i.e. tendency to impede the reversal in direction of change in variables of strategy and structure (Miller & Friesen, 1980). An unreflective and automatic mechanism leads to utilization of same responses in changed and unstable stimuli

(Starbuck & Hedberg, 2003). The routines associated with organizational success are reinforced, however, these routines are determined by earlier actions of organizations rather than information garnered from learning contexts (Levitt & March, 1988). Therefore, momentum could prove dysfunctional as the firm may not only employ a specific practice past its limit of usefulness but also resist the change even if the environment threatens firm's survival (Miller & Friesen, 1980).

As organizations engage in excessive exploitation of a specific strategy, they may fall into success traps. The greater competence of a firm developed in particular activity increases the frequency of successful outcomes and reinforces the use of that activity in future (Levinthal & March, 1993; Levitt & March, 1988). However, if successful outcomes are associated with inferior procedures and a firm garners more experience in that procedure, a competency trap evolves (Levitt & March, 1988). A maladaptive specialization thus takes place i.e. firms tend to adopt older and inferior routines even in presence of new and better routines (Levitt & March, 1988). Additionally, lessons garnered from successful experiences are stored in individuals' memories and informal organizational structures (Madsen & Desai, 2010). This non-codified form of knowledge tends to wither away owing to turnover and structural changes (Madsen & Desai, 2010). Therefore, learning garnered from successful experience either may not be productive or leveraged in future activities of a firm.

There could also be instances of spurious successes, that is, a firm does not experience a negative outcome with an erroneous process (Dahlin, Chuang & Roulet, 2018). As a consequence, spurious success decreases the motivation and ability of a firm to correct and learn from an erroneous process, while increasing unreported errors or the latent errors (Dahlin, et. al, 2018). The absence of adverse outcomes and acceptance of latent errors could lead to a dramatic failure event that complicates cause-effect analyses in investigation of

underlying cause of the failure (Dahlin, et. al, 2018). In sum, several factors create serious obstacles in a firm's attempts to learn from prior success.

In case of a failure or poor performance of prior entry modes, misspecified associations and counterfactual learning could develop. A firm that experiences failure may engage in the change of routines. Experiments with routines could be ineffectual owing to the neglect of the underlying problem (Levitt & March, 1988). Organizations tend to find solutions for individual problems and get distracted from the fundamental issue (Starbuck & Hedberg, 2003). New technologies and ideas employed in response to failure tend to fail owing to poor ideas, firm's inexperience with new idea and optimism of decision makers (Levinthal & March, 1993). Therefore, firms are trapped into vicious failure traps i.e. unsuccessful attempts and unrewarding exploration or change (Levinthal & March, 1993). Additionally, organizations could suffer from learning myopia i.e. organizations overlook long run, larger pictures and failures (Levinthal & March, 1993). In particular, failure myopia i.e. oversampling of success and undersampling of failure misguides future activities as learning evolves from a biased experiential record (Levinthal & March, 1993). Organizational learning privileges lessons gained from success, while risks of failure are underestimated (Levinthal & March, 1993). Hence, an unsuccessful experience may not transform into effective organizational learning.

In particular, for large failures, the fear of being held accountable may dissuade organization members from altering their existing knowledge and reveal failure-related information (Madsen & Desai, 2010). Given the impact of entry mode on performance and survival of firms (Zhao, et. al, 2004; Brouthers, 2002; Delios & Beamish, 1999; Davis, et. al, 2000, Lu, 2002; Taylor, et. al, 1998), entry mode failure may also be treated as a large failure. Thus, assigning responsibility for poor performance of an entry mode could create serious

obstacles in firm's attempts to learn from failure.

Organizational failure can also facilitate momentum as acknowledgement of failure may tarnish the power or self-esteem of key managers or decision markers (Miller & Chen, 1994). In addition, managerial hubris and huge investments in financial and managerial resources may create sunk-cost biases that dissuade a firm to divest the acquired firm and delay the implementation of changes (Shimizu & Hitt, 2005). Taking poor performance as a temporal setback, managers may ignore negative signs from acquired entities and remain committed to their initial successful acquisition strategies i.e. cognitive and structural inertia evolves in firm's strategic decisions (Shimizu & Hitt, 2005).

Further, the two critical steps for organizational learning to take place from a failed experience i.e. paying attention and interpreting accurate lessons may be thwarted owing to operational context (Hong, 2016). According to performance feedback perspective, decision makers are unable to interpret lessons and identify causes of failure as they do not pay attention to prior failures outside the local context (Hong, 2016). Hence, organizational learning from previous failed entry modes is limited to failures that take place in the focal host country or subsequent country of operation. According to cognitive bias perspective, decision makers identify the salience of a failed event and pay attention to prior failed JVs in the focal host country as well as other countries of operations i.e. local context and beyond the local context (Hong, 2016). Despite firm's attention, decision makers are unable to accurately interpret lessons from a failed experience. In case of failures in local contexts, decision makers are subjected to superstitious beliefs owing to causal ambiguity; therefore, they overestimate their capabilities and ascribe the cause of failure to the inability of a local partner (Hong, 2016). For failures experienced outside local context, decision makers rationalize their overconfidence by attributing the responsibility of failure to institutional

idiosyncrasies or host country's business environment (Hong, 2016). Since in both local and non-local contexts, decision makers ascribe the cause of failure to external factors, they are unable to learn from prior failed endeavors.

A successful process may yield a failed outcome i.e. spurious failure takes place (Dahlin, et. al, 2018). In particular, spurious failure is a faultless process that produces an adverse outcome and interferes in the learning process by producing noise and adversely impacting the opportunity, motivation, and the ability to learn (Dahlin, et. al, 2018). Learning from failure may also be stifled owing to decision makers' self-enhancement tendency i.e. desire to see oneself as successful irrespective of performance outcome (Jordan and Audia, 2012). Upon facing a low performance, decision makers owing to self-enhancement tendency, revise goals and evaluative standards according to present outcomes in order to create an acceptable or favourable assessment of low performance, thereby, distorting the performance assessment process, reducing the extent of search for novel solutions and impeding learning from failed experiences (Jordan and Audia, 2012).

The empirical research supports the notion that performance of previous modes is not the sole determinant of next entry mode choice. Multiple factors including frequency, geographical diversity, country-specific experience and function of entry modes act as key determinants of mode of entry choice (Padmanabhan & Cho, 1999; Chan & Rosenzweig, 2001; Nadolska & Barkema, 2007; Yiu and Makino, 2002; Hennart, 1991). For instance, empirical findings of Gomes-Casserus (1989), Powell and Rhee (2013), Padmanabhan and Cho (1996) and Kogut and Singh (1988) showed that a greater level of host country experience increases firm's familiarity, knowledge and access to local institutional facets that diminishes benefits that stem from JVs, thereby, inducing the firm to adopt higher ownership positions. Additionally, Delios and Henisz (2003) revealed that manufacturing experience

through extensive communication with local authorities promotes MNE's understanding regarding political facets and overcomes the influence of uncertainties and political hazards on FDI entry rates into that country. Hence, previous attempts that have examined the entry mode choice on the basis of single attribute of historical experience do not provide a comprehensive picture.

Essentially, the impact of one attribute of experience may be facilitated or weakened by the organizational learning derived from additional facets of experience. Haleblian's, et. al (2006) study concluded that higher frequency of acquisitions when accompanied with a higher performance of recent acquisition increased the likelihood of future acquisitions. A higher acquisition frequency provides the firm an opportunity to refine its established routines and hone its competencies, thereby, inducing the firm to leverage these routines in subsequent acquisitions (Haleblian, et. al, 2006). The positive effect of greater acquisition frequency on firm's propensity to acquire is reinforced by positive performance feedback that signifies the effectiveness of established routines and competencies, thereby, elevating the confidence of decision makers (Haleblian, et. al, 2006). In contrast, poor acquisition performance depreciates the legitimacy of established acquisitions-related routines and induces the managers to modify them (Haleblian, et. al, 2006). The effectiveness of experiential lessons is undermined and firm deviates from its routine-based persistence of employing acquisitions (Haleblian, et. al, 2006). Hence, performance feedback of prior entry mode was found to moderate the effect of frequency on subsequent mode selection.

The aforementioned empirical studies corroborate the idea that several attributes of prior entry mode experience play a critical role in future entry mode choice. Hence, it seems timely and appropriate to consider the holistic influence of multiple characteristics of historical entry mode experience on firm's subsequent selection of entry mode. The EMP

theory analyses the collective impact of all critical facets of prior entry experience in determining firm's next entry mode choice through organizational learning. The consideration of multiple attributes alleviates limitations of organizational learning that stem from a single attribute. For instance, organizational inertia, momentum, success traps and failure traps imperil the organizational learning derived from high performance of prior entry modes. A firm may draw inaccurate inferences or engage in excessive exploitation of a specific mode, thus, selecting a suboptimal mode for its future entries. These drawbacks of organizational learning and its influence entry mode selection could be mitigated through consideration of an additional facet of prior entry modes experience i.e. geographical diversity of entry modes.

Firm's presence in several countries or national settings broadens the horizons of knowledge and information through exposure to distinct demand characteristics, consumer needs, suppliers, competitors and collaborators (Barkema & Vermeulen, 1998). Enhanced knowledge repertoires and novel perspectives garnered through greater geographical diversity could break inertial pressures and encourage firms to alter their established routines. In addition, a firm may attain greater strategic flexibility that elevates its confidence and resilience to experiment new strategies rather than employing prior successful modes (Brouthers, et. al, 2008). Likewise, as firm accumulates general international experience, it matures and develops capabilities to understand the unique characteristics of foreign market and operations, thereby, engaging in more objective selection of entry mode and alleviating the dysfunctional influence of organizational inertia, momentum, failure traps and success traps (Gatignon & Anderson, 1988; Mutinelli & Piscitello, 1998; Arslan & Larimo, 2010). Overall, the recognition of distinct attributes of mode experience fulfils the fundamental objective of the EMP theory i.e. mitigating risks and enabling superior entry mode selection through the combined influence of distinct types of learning garnered from several attributes of historical entry mode experience.

3.2.3.4. HOST COUNTRY EXPERIENCE

Host country experience or county-specific experience refers to the experience accumulated by a firm through its operations or investment activities in a specific country (Delios & Beamish, 1999; Yiu & Makino, 2002). Much has been written and acknowledged about the pivotal role played by host country experience in facilitating firm's knowledge acquisition, routine and capability development, information-processing ability and performance (Johanson & Vahlne, 1977; Powell & Rhee, 2013; Delios & Henisz, 2000; Cho & Padmanabhan, 2005; Elango, Lahiri & Kundu, 2013; Salomon & Wu, 2012; Luo, 2001). This experience facilitates the knowledge regarding the local languages, cultural and business practices, political and administrative systems of country of operation (Klier, et. al, 2017). Essentially, country-specific experience or location-bound experience facilitates location-bound firm-specific advantage (Klier, et. al, 2017). However, the extent of usefulness of host country experience and the location-bound firm-specific advantages is contingent upon firm's subsequent country of operation i.e. in a new or different country, in a country similar to prior host country or in the same or earlier country of operation.

When a firm enters a new country or a geographic market, capabilities and routines developed from prior experience in a different host country may not be effective and readily applicable in a new context. A successful operation may require distinct capabilities than those possessed by the firm and therefore, may demand the creation of novel capabilities pertinent to new market (Delios & Henisz, 2000). In addition, the deployment of existing capabilities in new contexts may be impeded due to specificity of firm's routines and bounded rationality of decision makers (Delios & Henisz, 2000).

Country-specific experience may prove advantageous when a firm ventures in a

similar country or a country lying within the same cultural block as that of the earlier host country. Dow and Larimo (2011) revealed that prior experience similar to target host country facilitates cluster-specific experiential knowledge which is a tacit knowledge of one country or limited number of countries and pertains to local languages, religions, cultural and business practices, and political and administrative systems. A firm that accumulates experience in a specific culture is better prepared to manage political hazards in subsequent Foreign Direct Investment (FDIs) in countries that lie in the same cultural block and possess high policy uncertainty (Delios & Henisz, 2003). Specifically, experience in a specific cultural block mitigates the constraining influence of uncertain public policy environment or low policy credibility on FDI entry rates into countries of that block (Delios & Henisz, 2003). In addition, the longevity of foreign affiliates i.e. acquisitions and JVs in a specific country of a cultural block was found to increase when a firm had experience in the other countries of that cultural block (Barkema, et. al, 1996). Firms leveraged their prior experience garnered in culturally similar locations such as the knowledge about the attributes of common cultures and supranational networks that facilitate longer duration or survival of foreign affiliates (Barkema, et. al, 1996). Therefore, countries similar to earlier host countries provide an opportunity to a firm to reap benefits from its historical country-specific experience.

A firm's subsequent entry in the earlier country of operation enhances the scope for effective utilization of prior host country experience and resultant learning acquired by the firm. Operations in same markets enable firms to absorb the intricacies of institutional environment and develop effective routines and capabilities pertinent to the local context (Delios & Henisz, 2000; Cho & Padmanabhan, 2005; Elango, et. al, 2013). For instance, prior acquisition experience in a specific host country assists the firm to capture routines and repertoires embedded in culture, while safeguarding the firm from vulnerabilities of underestimating politics and national cultural differences (Elango, et. al, 2013). In addition,

host country experience elevates firm's ability to scan, process and analyse location-specific information, thereby, reducing transaction costs and enhancing the scope of bounded rationality (Luo, 2001).

The significance of country-specific experience in facilitating organizational learning has been suggested by several studies in the entry mode literature (Yiu & Makino, 2002; Delios & Henisz, 2000; 2003; Collins, et. al, 2009; Elango, et. al, 2013; Luo, 2001; Salomon & Wu, 2012). In particular, a number of previous entry mode studies lend theoretical and empirical support to the influence exerted by country-specific experience on future mode selection (Johanson & Vahlne, 1977; Delios & Henisz, 2000; 2003; Yiu & Makino, 2002; Gomes- Casserus, 1989; Elango, et. al, 2013; Luo, 2001; Padmanabhan & Cho, 1996).

One of the most influential theoretical paradigms that articulate the role of country-specific experience and consequent experiential learning in firm's ownership decisions of foreign affiliates is the Johanson and Vahlne's (1977) staged internationalization model or process theory of internationalization. This model emphasizes on the gradual internationalization of firms based on the interplay between two critical factors i.e. securing and expanding knowledge of international markets and increasing commitment towards foreign operations (Johanson & Vahlne, 1977; Powell & Rhee, 2013). The investment path of the firm is reflected in its sequential entry from culturally and geographically proximate countries to more distant ones with greater psychic distance (Delios & Henisz, 2003; Barkema, et. al, 1996). Psychic distance is conceptualized as the linguistic, institutional, cultural and political factors including differences in languages, business practices and cultural attributes that prevent or interfere in the flow of the information and knowledge between firm's home country and host country or among its countries of operation (Liu, Xiao & Huang, 2008; Barkema, et. al, 1996; Schuster & Holtbrugge, 2012). In order to leverage

their existing knowledge, firm enter markets with smaller psychic distance which enriches their knowledge and lowers perceived costs of internationalization, thereby, inducing the firms to pursue business opportunities in destinations with greater psychic distance (Schuster & Holtbrugge, 2012).

According to the staged internationalization model, firm's expansion route in a specific country entails an incremental internationalization pattern consisting of no regular export activity, selling via agent, development of sales subsidiary and finally the establishment of a production facility (Johanson & Vahlne, 1977; Mtigwe, 2006; Barkema, et. al, 1996; Delios & Henisz, 2003). The increasing involvement in a specific country is viewed as the resultant of process of incremental adjustments made to transitory conditions of firm and its environment (Johanson & Vahlne, 1977). A causal cycle that operates between the state and change aspects underlies firm's increasing investment proclivity (Johanson & Vahlne, 1977). State aspects include market commitment and knowledge about foreign markets and operations, while change aspects encompass current business activities and decisions pertaining to commitments of resources including marketing, organisational and personnel resources (Johanson & Vahlne, 1977; Mtigwe, 2006; Liu, et. al, 2008).

Market knowledge, the key facet of state aspect, is the knowledge about idiosyncratic characteristics of a national market in terms of its business environment, characteristics of customers, firms and cultural patterns (Johanson & Vahlne, 1977; Schuster & Holtbrugge, 2012). It is a tacit or experiential knowledge i.e. acquired only through experience in that market (Powell & Rhee, 2013; Johanson & Vahlne, 1977; Barkema, et. al, 1996). The experiential market knowledge assists in creation of well-defined activities and a framework for perceiving, evaluating and formulating future opportunities (Delios & Henisz, 2003; Johanson & Vahlne, 1977). The change aspect i.e. firm's current business activities,

constitutes a critical source of market knowledge (Johanson & Vahlne, 1977).

Owing to perceived risks of failure, firms employ low-risk entry mode such as exporting as their initial international strategy that endows the firm with knowledge of host market (Schuster & Holtbrugge, 2012). As firms accumulate experience and knowledge about foreign operations, the knowledge and skill barriers, uncertainty, and differences between countries mitigate and firms progress from exporting to complex forms of internationalization such as high commitment and risky entry modes leading to further knowledge development (Schuster & Holtbrugge, 2012; Powell & Rhee, 2013; Delios & Henisz, 2003; Johanson & Vahlne, 1977). The knowledge and commitment exert mutually reinforcing effect on each other, which tends to influence firm's current and prospective behaviour (Schuster & Holtbrugge, 2012).

Further, in the subsequent extension of internationalization process model, Johanson and Vahlne (1990) incorporated the role of networks and claimed that network knowledge is part of market knowledge that evolves from current business activities. The relevance of gradualist or stepwise trajectories of staged model, however, has been questioned in the context of International New Ventures (INVs) that skip internationalization stages and for firms that adopt a converse pattern of internationalization such as joint ventures or import-led activities in home country to learn technological and marketing skills followed by outward internationalization process (Liu, et. al, 2008; Araujao & Rezende, 2003). A more multifaceted internationalization approach has been suggested that claims the existence of more than one of locus of learning and control other than the subsidiary as well as supports the notion that firms learn about foreign operations through diverse sources such as mimetic behaviour or proactive search of opportunities other than direct experience (Araujao & Rezende, 2003).

Nevertheless, several scholarly suggestions corroborate the underlying rationale and ideas communicated in staged internationalization model. For instance, Eriksson, Johanson, Majkgard and Sharma (1997) suggest that international experience endows the firm with foreign market knowledge that comprises of business knowledge and institutional knowledge. While business knowledge refers to the knowledge about client operations, competitors, decision-making and way of working, institutional knowledge pertains to the experiential knowledge specific to foreign country's environment, institutional framework, norms and societal values (Eriksson, et. al, 1997). Similarly, Delios and Henisz (2003) and Gupta and Misra (2000) claim that country-specific experience provides the firm with critical information regarding business environment, threats, competencies, and human capital that allows a superior evaluation of potential entries in the focal host country.

Besides facilitating several advantages such as efficient coordination, higher performance and overcoming distance-related costs, country-specific experience assists a firm to accurately perceive and respond to environmental uncertainties (Salomon & Wu, 2012). Particularly, acquisition experience within a specific country serves as an effective medium for organizational learning and that learning is leveraged by a firm for its subsequent activities in the same country through internalization of local knowledge and use of cognitive routines developed in prior acquisitions (Collins, et. al, 2009). Country-specific experience also facilitates technological learning and social learning (Thakur-Wernz & Samant, 2017). While former pertains to learning that evolves from host country's national innovation systems and knowledge spillovers, the latter pertains to local networks in target country of operation (Thakur-Wernz & Samant, 2017).

The staged internationalization model and above assertions are underpinned by knowledge acquisition and experiential learning gleaned by a firm through its operations in a

specific host country. Since organizational learning refers to change in state of knowledge as function of organization's experience (Argote, 2011), the association between host country experience and organizational learning is further reinforced. In addition, environment forms a key contextual factor that fosters organizational learning (Fiol & Lyles, 1985); therefore, country of operation represents an appropriate context that enables firm's learning. As organizations are routine-based and history-dependent entities (Levitt & March, 1988), the EMP theory suggests that organizations learn by drawing inferences from country-specific experience and incorporating them into routines that determine their future international proclivity in that host country.

The influence of country-specific experience on routines, capabilities and decision-making represent observable changes in firm's behaviour. For instance, the development of effective routines and capabilities, a superior evaluation of opportunities and threats, accurate response to uncertainties and performance improvement (Johanson & Vahlne, 1977; Delios & Henisz, 2003; Barkema, et. al, 1996; Cho & Padmanabhan, 2005; Elango, et. al, 2013; Salomon & Wu, 2012) are all manifested as noticeable changes. In addition, these changes stem from firm's responses or interpretation of regulatory, cognitive and normative domains of host country's institutional environment. As the change in firm's behaviour through new responses to feedback from its environment refers to behavioural learning (Fiol & Lyles, 1985; Leroy & Ramanantsoa, 1997), country-specific experience can be inferred to facilitate behavioural learning. The incremental adjustments of firms according to host country environment reflect attributes of behavioural learning as outlined by Leroy and Ramanantsoa (1997) i.e. the adaptive nature of learning process and firm as an adaptively rational system.

Prior explanations of entry mode selection that draw from country-specific experience operationalize it in several ways including number of years since the firm has established its

first subsidiary in host country (Yiu & Makino, 2002; Hennart, 1991), length of time in years of firm's operation in the host country (Padmanabhan & Cho, 1996), number of times a firm has entered or frequency of past investments in the target country (Gomes – Casserus, 1989; Powell & Rhee, 2013), number of subsidiary years in the host country (Delios & Henisz, 2000) and total number of acquisitions undertaken by a firm within a specific country (Collins, et. al, 2009).

The influence of host-country experience on future mode selection in a prior country of operation entails divergent opinions. On one hand, a greater country-specific experience may reduce firm's reliance on local partners and facilitate its capacity to bear risk and responsibility of complete ownership of foreign subsidiaries (Padmanabhan & Cho, 1996; Meyer, et. al, 2009b). On the other hand, adequate host country experience could hone firm's effectiveness in dealing with costs and uncertainties of collaborative agreements and finding appropriate partner, thereby, enhancing the likelihood of shared ownership modes (Padmanabhan & Cho, 1996; Meyer, et. al, 2009b).

A significant number of scholars through their opinions and empirical results validate the notion that country-specific experience increases the likelihood of majority-owned structures in that country. For instance, Delios and Beamish (1999) suggest that more experience in a host country leads to increased knowledge that depreciates the significance of local counterparts for foreign affiliates in the same country. The greater knowledge and routines elevate firm's confidence in management and execution of acquisition process, therefore, encouraging a firm to undertake full ownership of the acquired entity (Elango, et. al, 2013). A greater host country experience allows a firm to leverage maximum payoff from its accumulated experience by establishing wholly-owned subsidiaries (Luo, 2001). Likewise, Dow and Larimo (2011) suggest prior country-specific experience facilitates a tacit

knowledge regarding host country which acts as a distance-bridging factor that not only enhances firm's confidence but also alleviates the transaction costs involved in the transfer of intangible assets to foreign subsidiaries, thereby, shaping the firms preference for acquisitions (Dow & Larimo, 2011).

In line with these suggestions, the empirical findings of Arslan and Wang (2015) , Yiu and Makino (2002), Gomes-Casserus (1989), Powell and Rhee (2013), Hennart (1991), Padmanabhan and Cho (1996) and Kogut and Singh (1988) revealed that greater level of country specific experience diminishes the benefits that stem from joint ventures, while increasing firm's familiarity, knowledge and access to local institutional facets that induces a firm to adopt higher ownership positions. In particular, Klier, et. al (2017) demonstrated that extensive host country experience enables the MNE to secure adequate knowledge and make optimal decisions regarding location of hotels, adaptation of services as per the needs of target market and management of relationships with diverse stakeholders such as workforce, suppliers, customers and banks, thereby, mitigating uncertainty and shaping the firm's preference for high resource-augmenting modes. Additionally, Arslan and Larimo (2011) revealed that Finnish Firms employed acquisitions as previous host country experience endowed them knowledge regarding potential acquisition targets whose routines and practices could be leveraged. However, Larimo and Arslan (2013) found a non-significant relationship between target country experience and ownership mode choice.

Further, when a firm with adequate host country experience and location-specific competencies enters a new country i.e. different from its previous countries of operation, the access to complementary local resources and knowledge is realized through joint ventures or acquisitions (Meyer, et. al, 2009b). Several authors including Yiu and Makino (2002), Gomes-Casserus (1989) and Delios and Henisz (2000) suggest that firms inexperienced in a

specific host country may develop appropriate capabilities by partnering with a local firm, while gaining access to tacit market-specific knowledge that incurs high transactions costs. Empirically, Luo (2001) found that firms with little host country-specific knowledge preferred JVs in order to limit their risks. Besides reducing the resource commitment and risks, JVs endow firms with local knowledge about business culture, commercial practices and networking tactics (Luo, 2001).

The above explanation points out a crucial aspect of country-specific experience i.e. location-specific advantages garnered from a specific host country may loose their relevance and effectiveness under certain conditions. In comparison to general international experience, country-specific experience is narrower and more location-specific (Cho & Padmanabhan, 2005). Location-bound firm-specific advantages stem from the knowledge accrued from specific customer needs, market conditions and government regulations of a specific location, thus, limiting their global application (Clarke, Tamaschke & Liesch, 2013). As there exist significant differences in institutional environments of different countries, MNEs need to learn and adapt their systems, processes and structures to distinct cultural and national settings (Collins, et. al, 2009). In other words, country-specific experience tends to be transferable and applicable in subsequent ventures established in the same country of operation (Collins, et. al, 2009).

MNEs are also vulnerable to application errors that stem from negative transfer effect of experiences i.e. misconception of distinct activities as similar and unqualified generalizability of experience to dissimilar contexts (Zeng, et. al, 2013). Additionally, a firm could suffer from learning myopia in which learning mechanisms tend to overlook distant contexts and facilitate application errors (Levinthal & March, 1993; Zeng, et. al, 2013). Inaccurate inferences limit firm's ability to discern the real causes and foster the adoption of

suboptimal solutions (Zeng, et. al, 2013). As countries differ along several institutional dimensions, inappropriate application of location-specific competencies entails serious implications. For an MNE with a lower level of experience in a dissimilar culture, Zeng, et. al (2013) observed a positive association between subsidiary mortality and host-culture experience i.e. experience in focal host country or cultural cluster of a focal subsidiary. Therefore, an internationalizing firm should engage in a cautious application of inferences and knowledge gained from prior country-specific experience.

Organizational learning theory offers a number of explanations that suggest that learning derived from country-specific experience may act as a hindrance in future strategies of a firm. A change in environment or country of operation point out the need to unlearn the knowledge and strategies acquired from previous host-country experience. Unlearning of prior experience is critical for the creation of new ideas and knowledge (Levinthal, 1995). However, organizational unlearning efforts may be impeded owing to several factors such as manager's pre-established conceptual frameworks, communication bottlenecks, fragmented structures and political, personal and psychological resistance (Nicolini & Meznar, 1995).

Further, organizational inertia prevents firm's adaptation to a dynamic environment. Besides making an organization sluggish to adaptation, organizational inertia interferes in strategic flexibility that is critical for a firm to respond to changing conditions and maintain its competitive advantage in a dynamic environment (Shimizu & Hitt, 2005). A firm's response to problem or opportunities in competitive environments may be crippled by obsolete strategies (Miller & Chen, 1994). In particular, firms could find themselves trapped in tendencies to employ known solutions and solutions in vicinity to familiar solutions (Bapuji & Crossan, 2004). For instance, Collins, et. al (2009) ascribed the successive use of acquisitions by a firm in a specific host country to inertial pressures and repetitive

momentum. The processes that stem from repetition of organizational actions tend to become routinized which impedes the search for alternatives and fosters the likelihood of subsequent acquisitions (Collins, et. al, 2009). However, a change in environments or markets may render location-bound firm specific advantages obsolete, thereby, reducing the value of market knowledge and advantages even in that location (Clarke, et. al, 2013). Therefore, the utilization of same strategies or solutions in a dynamic environment could threaten the survival and performance of a firm.

In an effort to alleviate the limitations of organizational learning that stem from host country experience, I consider additional attributes of prior entry mode experience in EMP theory to determine subsequent mode choice. The inclusion of function and geographical diversity and performance of prior entry modes provides a solution to problems of organizational inertia, applying errors and specificity of advantages that stem from country-specific experience. For instance, function of prior entry modes attribute has the potential to mitigate the disadvantages of learning derived from host country experience. In particular, the distribution function in a foreign country through its marketing interface aids in the formation of linkages between a firm and its consumers, thereby, allowing firms to understand cultural patterns, market structure and attributes of customers in host country (Delios & Henisz, 2003). Likewise, sales and distribution function endows the firm with the knowledge regarding country risks, labour disputes, political constraints and economic instability that helps the firm to accurately assess risks in the target country and engage in objective mode selection freed from dysfunctional effects of organizational inertia and unqualified generalizability of country-specific knowledge to dissimilar contexts (Morschett, et. al, 2

Additionally, a greater geographical diversity i.e. experience with numerous cultural values, practices and management styles enables the firm to overcome its pre-developed

cognitive structures and mental maps while interpreting causal connections (Zeng, et. al, 2013), thereby, engaging in objective mode selection freed from inertial pressures owing to country specific experience. Higher geographical scope of MNE's international expansion was found to mitigate the positive relationship between subsidiary mortality and host-culture experience when a firm was new to a dissimilar culture (Zeng, et. al, 2013). Hence, considering distinct dimensions of entry mode experience as postulated in the EMP theory provides an opportunity to overcome the weakness associated with learning derived from country-specific experience, while facilitating a superior selection of an international entry mode.

3.2.3.5. GENERAL INTERNATIONAL EXPERIENCE

The holistic impact of prior entry mode experience on future mode selection encompasses the influence of firm's maturity that evolves from its overall internationalization experience i.e. general international experience. Specifically, general international experience refers to the overall business exposure garnered by a firm from its global operations beyond that of a specific host country (Padmanabhan & Cho, 1999; Dow & Larimo, 2011). In other words, it is the experience accrued through international operations rather than from a particular country of operation i.e. a non-location bound international experience (Clarke, et. al, 2013).

The non-location bound international experience enables the firm to acquire general internationalization knowledge that facilitates the creation of non-location-bound firm specific advantages i.e. firm specific advantages that are not location-specific (Clarke, et. al, 2013; Dow & Larimo, 2011). This idea is further reflected in the arguments stated by Eriksson, et. al (1997) i.e. an internationalizing firm accumulates experiential knowledge comprising of knowledge about the foreign market as well as firm-specific knowledge. Firm-

specific knowledge refers to the knowledge about firm resources and capabilities required to operate in foreign markets (Eriksson, et. al, 1997). Particularly, it deals with the organization and management of firm's routines, procedures and structures in an international context (Eriksson, et. al, 1997). Therefore, international experience helps the firm to secure firm-specific, non-location bound knowledge that could be leveraged in organizing subsequent internationalization. As organizational learning is assumed as the change in organizational knowledge due to firm's experience (Argote, 2011), the role of general international experience in facilitating organizational learning is established.

The extant literature has conceptualized general international experience in manifold ways. A set of entry mode explanations based upon Dunning's OLI paradigm considers international experience as an ownership advantage (Nakos & Brouthers, 2002; Brouthers, et. al, 1996; Agarwal & Ramaswami, 1992). Ownership advantages refer to firm-specific characteristics that differentiate a firm from its competitors and provide uniqueness and sustainability critical for a firm's competitive advantage (Dunning, 1988; Tatoglu & Glaister, 1998; Nakos & Brouthers, 2002). In particular, general international experience is assumed as an Ownership asset (Oa) advantage i.e. an intangible resource, which is neither duplicated nor possessed in same measure by competing firms (Tatoglu & Glaister, 1998; Nakos & Brouthers, 2002; Brouthers, et. al, 1996; 1999).

Another group of scholars including Chiao, Lo and Yu (2010) and Mutinelli & Piscitello (1998) that understand entry mode choice through the lens of RBV and competency theory, conceptualize general international experience as a unique, valuable, scarce, and hard to imitate resource. Specifically, Mutinelli and Piscitello (1998) suggest that firm's learning from general international experience facilitates a cumulative process that assists in the creation of core competencies i.e. distinct skills, capabilities and knowledge that enable the

firm to compete effectively. Besides mitigating uncertainty about foreign operations, general international experience hones firm's market sensing capabilities to understand the unique characteristics of a foreign market (Mutinelli & Piscitello, 1998; Arslan & Larimo, 2010).

Based upon the TCE perspective, Anderson and Gatignon (1986) view general international experience as a key mechanism that alleviates internal uncertainty i.e. inability of firms to determine the performance of agents through observable and readily available output parameters. General international experience enhances firm's understanding and competence, while enabling the firm to accurately perceive foreign risks and returns (Gatignon & Anderson, 1988). A firm, thus, becomes more confident and develops capabilities critical for cross-border engagements as it garners experience (Mutinelli & Piscitello, 1998; Anderson & Gatignon, 1986). In sum, firms behave as humanlike entities that mature as they accumulate international experience (Anderson & Gatignon, 1986).

Taking into account several facets of organizational learning as emphasized by aforementioned studies and specifically, Mutinelli and Piscitello's (1998) idea of cumulative and incremental learning process of internationalization, I suggest that transformation from a novice international firm to a mature and seasoned multi-national organization entails the development of insights, frames of references, belief systems, interpretive behaviours and cognitive frameworks. Importantly, these influences constitute the rudiments of higher-level cognition learning i.e. redefining and changing of central norms, assumptions, frame of references and values of the firms through heuristics and skill development (Foil & Lyles, 1985). Therefore, general international experience can be inferred to facilitate higher-level cognition learning. Additionally, the implications of general international experience on firm's competencies, confidence and overall maturity represent gradual changes in knowledge systems, organizational beliefs and thought processes rather than new behaviour or immediate

observable changes. As higher-level cognition learning may not manifest in firm behaviours, changes or performance (Lundberg, 1995; Leroy & Ramanantsoa, 1997), the association between general international experience and higher-level cognition learning is further reinforced.

The relationship between general international experience and firm's foreign ownership structure has been the subject of intense academic attention and research (Delios & Beamish, 1999; Brouthers & Brouthers, 2000; Brouthers & Hennart, 2007; Padmanabhan & Cho, 1999; Padmanabhan & Cho, 1996; Anderson & Gatignon, 1986; Erramilli, 1991; Mutinelli & Piscitello, 1998; Agarwal & Ramaswami, 1992; Brouthers, et. al, 1996). For empirical analysis, general international experience has been operationalized through several diverse constructs namely length of time of firm's international operations i.e. number of years since the first assignment abroad or operations outside home country prior to current entry (Blomstermo, et. al, 2006; Nakos & Brouthers, 2002; Mutinelli & Piscitello, 1998; Erramilli, 1991; Klier, et. al, 2017), export ratio (Brouthers & Brouthers, 2000), number of FDIs (Arslan & Larimo, 2010), number of foreign entries (Gatignon & Anderson, 1988; Dow & Larimo, 2011) and distinct types of composite measures consisting of two or more items (Delios & Beamish, 1999; Padmanabhan & Cho, 1999; 1996; Chiao, et. al, 2010; Agarwal & Ramaswami, 1992; Brouthers, et. al, 1996; Maekelburger, et. al, 2012).

A majority of the scholars claim that more internationally experienced firms prefer higher-ownership entry mode structures. For instance, Anderson and Gatignon (1986) suggest that international novice firms are devoid of knowledge required for subjective judgment; therefore, they tend to overstate risks and understate returns from foreign operations. In addition, inexperienced firms may take inappropriate decisions associated with complete ownerships of foreign affiliates including production levels, extent of adaptation of

products to foreign markets and management of relations with local political actors (Mutinelli & Piscitello, 1998). Hence, an international neophyte firm would prefer low-control entry modes (Anderson & Gatignon, 1986). The limited experience of exporting or low-control entry modes instils the firm with confidence and understanding that induces the firm to control and engage in active management of foreign affiliate through higher ownership (Anderson & Gatignon, 1986). A greater general international experience hones the firm's ability to manage responsibility and risks that stem from financial and managerial responsibilities, resource commitments and political contingencies in host country, thereby, increasing the likelihood of complete ownership of foreign entity (Padmanabhan & Cho, 1996; 1999). Likewise, Dow and Larimo (2011) revealed that general internationalization knowledge accrued from prior experience that is not specific to a group or country hones the firm's ability to deal with diverse institutional environments and adapt their production technologies and market strategies through independent operations without paying acquisition premium to purchase the required expertise and skills.

Based on the OLI framework, Nakos and Brouthers (2002) suggest that the impact of ownership advantage on entry mode choice depends upon the internationally mobility of advantages. For international mobile ownership advantage, firm could employ equity mode of entry that allows the firm to safeguard its advantages from dissemination and assist in their efficient transfer (Nakos & Brouthers, 2002). As general international experience constitutes a non-location bound experience i.e. an internationally mobile ownership advantage, firm in possession of this advantage would prefer equity modes. In line with this reasoning, several others including Brouthers, et. al (1996), Agarwal and Ramaswami (1992), Mutinelli and Piscitello (1998) and Arslan and Larimo (2010) suggest a positive association between general international experience and the employment of equity or high-control entry modes.

Empirically, evidence is mixed. A group of studies including Mutinelli and Piscitello (1998), Gatignon and Anderson (1988) and Chiao et. al (2010) found that more internationally experienced firms prefer higher-control entry modes. Likewise, Agarwal and Ramaswami (1992) and Brouthers, et. al (1996) showed that globally matured firms with a higher level of ownership advantages i.e. firms with larger size and more experience had a greater inclination for integrated modes over independent entry structures. On the other hand, Delios and Beamish (1999) and Majkgard and Sharma (1998) detected a negative correlation between general international experience and ownership levels i.e. less experienced firms preferred higher ownership positions in foreign affiliates and firms with greater foreign market experience employed low ownership-based entry modes. In consistence with these findings, Blomstermo and colleagues (2006) showed that service firms with greater foreign market experience had no inclination for high-control entry modes. Another set of findings including Nakos and Brouthers (2002), Arslan and Larimo (2010) and Padmanabhan and Cho (1996) reported a statistically non-significant influence of general international experience on firm's preference for foreign ownership structures. Finally, Erramilli (1991) found a U-shaped relationship between firm's propensity to employ full-control entry modes and length of general international experience. In sum, empirical studies do not exhibit a single and a unanimous influence of general international experience on firm's ownership preferences.

Further, the multifaceted influence of general international experience on firm's knowledge, competence, confidence and capability development (Eriksson, et. al, 1997; Mutinelli & Piscitello, 1998; Gatignon & Anderson, 1988; Nakos & Brouthers, 2002) is not free limitations. In particular, general international experience may impede firm's growth as it could make a firm vulnerable to organizational inertia i.e. structural inertia. An organization possesses high structural inertia when the pace of organizational change is lower than that of environmental changes (Kelly & Amburgey, 1991). Structural inertia theory outlines the role

of formalized relationships, standardized routines and predictability of old organizations in fostering structural inertia (Hannan & Freeman, 1984). In situations that require distant learning and new radical capabilities, firms may continue utilizing their prior knowledge and routine problem-solving approaches to solve a new problem in order to save time and effort (Liao, et. al, 2008). The response to problem or opportunities in competitive environments may be crippled (Miller & Chen, 1994). Therefore, inertia interferes in strategic flexibility that is critical for a firm to align its strategy and structure with a dynamic environment (Shimizu & Hitt, 2005).

Competencies that evolve from cumulative and evolutionary learning process could also impede organizational learning in new or alternatives domains. A greater engagement in competent niches keeps a firm at bay from others sources of experience and knowledge; therefore, firm's capabilities act as core rigidities that inhibit a change in capabilities and adaption to new contexts (Levinthal & March, 1993; Levinthal, 1995). As situations are not static or uniform, a need to revise and update knowledge derived from prior experience is critical (Liao, et. al, 2008). Strategies that appear conductive at a particular historical moment may loose their benefits and relevance at some other point of time (March, 1991). Therefore, firms need to unlearn their previously adopted practices in order to adapt to new circumstances and make a room for new ideas (Levinthal, 1995; Nicolini & Meznar 1995). However, firm's unlearning efforts may be imperilled due to self-confirming and self-producing character of cognitive structures, persistence of myths, uncertainties of change, political and psychological resistance, communication gaps and fragmented structures (Nicolini & Meznar, 1997).

Given the key role played by degree of similarity between current and prior decision in entry mode decision (Padmanabhan & Cho, 1999), the relevance and extent of

transferability of prior general international experience is contingent upon additional factors. Specifically, Padmanabhan and Cho (1999) reported the preponderance of decision-specific experience over general international experience i.e. firms place greater importance to both frequency and years of operations of a specific entry mode than number of years of firm's overall business experience in selecting their entry mode structures. A related research by Cho and Padmanabhan (2001) showed that though firms value both new and old-decision specific experience, the former is marginally more significant than old decision-specific experience in determining mode of entry choice. Therefore, entry mode decision is viewed as an outcome of interplay of several characteristics including frequency, years and recentness of prior entry mode experience rather than general international experience alone.

Further, the influence of general international experience is divergent as well as undermined by impacts exerted by other attributes of historical entry mode experience. Delios and Beamish (1999) found that host country experience and general international experience exerted dichotomous impacts i.e. the former induced the firm to adopt higher ownership levels, while the latter shaped the firm's preference for lower ownership levels. Additionally, Padmanabhan and Cho (1996) showed that in culturally similar host countries, general international experience did not play a key role in entry mode decisions, while firm's experience with a host country becomes an important factor that facilitates the complete ownership of foreign affiliates in those countries.

The above findings emphasize the need as well as the significance of considering additional characteristics of the historical entry mode experience in determining a holistic impact of entry mode experience on subsequent mode choice. In addition, the inclusion of recentness, geographical diversity and performance provides an effective way to mitigate organizational inertia that stems from general international experience. The underlying

mechanism of recentness i.e. decay and disuse of stored information as well as availability heuristics that facilitates decision-makers 's focus and attention towards recent entry modes and recently employed routines could refrain firms to employ obsolete strategies owing to organizational inertia. Hence, firms depart from their traditional norms and experiment with more recent and novel strategies.

Likewise, geographical diversity of entry modes i.e. operations in several countries leads to accumulation of heterogeneous experience that endows the firm with enriched knowledge structures, novel ideas and perspectives (Barkema & Vermeulen, 1998; Zahra, et. al, 2000). Therefore, this refined knowledge and contemporary information tends to mitigate inertial tendencies and assist a firm to make an informed entry mode decision. Additionally, performance of prior modes i.e. a failure draws firm's attention towards the existence of a knowledge gap and catalyses the search for novel solutions (Madsen & Desai, 2010; Leroy & Ramanantsoa, 1997; Miller & Chen, 1994). Poor performance signal firms to reassess existing strategies and identify new solutions to enhance performance (Haleblian, et. al, 2006). Therefore, a failure emphasizes upon the renewal of existing strategies and consequently enables a firm to free itself from vulnerabilities of organizational inertia. In sum, taking into account additional characteristics of prior entry mode experience, EMP theory suggests that adverse implications of general international experience on entry mode selection can be alleviated.

3.2.3.6. FUNCTION

One of the prominent themes in the IB field has been the influence of historical entry mode experience on the subsequent selection of an entry mode (Padmanabhan & Cho, 1999; Erramilli, 1991; Barkema, et. al, 1996; Delios & Beamish, 1999; Anderson & Gatignon,

1986; Chan & Rosenzweig, 2001). Departing from the earlier conceptualization of experience as a firm-level construct, researchers are now undertaking a fine-grained approach that categorizes experience into several attributes and examines the impact of these individual attributes on entry mode choice (Padmanabhan & Cho, 1999; Haleblian, et. al, 1996; Nadolska & Barkema, 2007; Vermeulen & Barkema, 2001; Barkema & Vermeulen, 1998; Powell & Rhee, 2013; Cho & Padmanabhan, 2005). Nevertheless, the influence of few critical facets of prior entry mode experience remains unexplored. There is still little theoretical and empirical research that examines the impact of the function of historical entry modes on future mode selection.

The international entry of a firm is associated with the functional area of that entry. A mode of entry assists the firm in actualizing its function i.e. sales and distribution, manufacturing or Research & Development (R&D) in a foreign location. While the influence of the functional domain on firm's learning and capability is well established (Bonetti & Masiello, 2014; Morschett, et. al, 2008; Delios & Henisz, 2003), little is known about its implications on entry mode decisions. In order to fulfil the paucity of existing literature, the EMP theory draws the attention towards functional domains of preceding international entry modes and their role as an antecedent in future mode selection. Specifically, the EMP theory identifies the organizational learning that takes place through functional domains of prior foreign entries and in consequence the influence of that learning on subsequent entry mode choice.

The functional domain of international entries facilitates organizational learning through two distinct types of knowledge. These consist of the knowledge regarding the setting up of a business function and the knowledge pertaining to the operation of that function. The setting up of function could include building of a manufacturing plant, R&D facility or a sales

subsidiary. An implicit notion is that the setting up experience enables the firm to understand critical facets of actualizing or setting up an international function such as its resource requirements, financial considerations, industry standards, construction of facility, equipment installation and other legal compliances that prevail in a host nation (Delios & Henisz, 2003; Morschett, et. al, 2008). A greater experience of setting up a foreign business function, therefore, assists the firm to accrue more knowledge regarding the needs and challenges that it may experience during the actualization of a function in a foreign country.

The second type of the experiential knowledge that stems from the functional domain pertains to the operation of an international business function. The operation of a function requires the firm to confront several operational aspects including knowledge transmission to a foreign affiliate, securing permissions and licenses, recruitment and training of employees, repatriation of dividends and negotiation with host country government, clients, business counterparts and consumers (Delios & Henisz, 2003). Besides securing the knowledge and understanding regarding core operational facets, an internationalizing firm garners business and institutional knowledge of the foreign market. In particular, business knowledge refers to the knowledge about client's operations, competitors, decision-making and way of working, while institutional knowledge pertains to the knowledge specific to environment, institutional framework, cultural dimensions, norms and societal values of country of operation (Eriksson, et. al, 1997). Therefore, a part of the operational knowledge that accumulates from functional domain overlaps with country-specific knowledge.

Operations of different business functions endow the firm with country-specific or institutional knowledge of the host country. Sales and distribution function provides the information about country risks, labour disputes, political and economic instability that helps the firm to accurately assess risks and uncertainty in the host nation (Morschett, et. al, 2008).

In particular, the distribution function through its marketing interface aids in the formation of linkages between a firm and its consumers, thereby, allowing firms to understand cultural patterns, market structure and attributes of customer firms (Delios & Henisz, 2003). A firm, thus, develops a sense of understanding regarding intercultural differences and forms realistic inferences regarding expectations and attitudes of business counterparts and customers (Morschett, et. al, 2008).

Many firms engage in internationalization of their R&Ds in emerging markets with the objective to leverage new sources of technological expertise and renew their competitive advantage (Athreye, Tuncay-Celikel & Ujjual, 2014). In particular, firms establish competence-creating subsidiaries and engage in combinative capabilities, that is, by diffusing their internal knowledge and combining knowledge that evolves from diverse sources to facilitate innovation (Athreye, et. al, 2014). Specifically, asset-exploiting R&D FDIs enhances firm's proximity with clients and effectiveness in customization of products according to the demands of local markets (Bonetti & Masiello, 2014). Strategic asset-seeking R&D FDIs facilitate acquisition of knowledge resources, exploration of technological opportunities and efficiency of innovation processes (Bonetti & Masiello, 2014). In addition, the structure and orientation of manufacturing subsidiary requires a firm to communicate with host country government on several issues including regulatory or tax concessions, licenses, and international trade permits, thereby, providing greater insights to a firm regarding the political climate in a host nation (Delios & Henisz, 2003).

In sum, functional domain of an entry mode exerts a multifaceted impact on firm's knowledge and understanding that translates into a greater competence to operate in foreign markets, build relational assets and acquire more information about customers, culture, institutional frameworks and dynamics of political processes in a host country (Bonetti &

Masiello, 2014; Morschett, et. al, 2008; Delios & Henisz, 2003). The above explanations as well as the association between experiential knowledge and organizational learning (Romme & Dillen, 1997; Huber, 1991; Lundberg, 1995) reinforce the connection between functional domain and organizational learning.

Functional domains of preceding entry modes promote both forms of organizational learning i.e. behavioural and cognitive. For instance, information regarding political climate in the host country acquired from manufacturing experience could be both behavioural and cognitive type of organizational learning. While behavioural learning may be reflected as an increase in the firm's effectiveness to deal with political bottlenecks, the cognitive learning may facilitate the development of greater insights about political conditions in the host country without any observable change in behaviour of a firm. Similarly, an R&D function directed to attain a greater efficiency in customization and innovation as well as the access to qualified human resources and technological centres (Bonetti & Masiello, 2014) facilitates both behavioural and cognitive types of learning respectively. Likewise, the accumulation of setting up knowledge can be evident in a quick and efficient implementation of the subsequent function or simply remain as a repository of knowledge. However, learning derived from sales experience including greater confidence, increased knowledge about institutional set-ups, customer preferences and political scenarios (Morschett, et. al, 2008) represents only the cognitive form of organizational learning. Therefore, functional attribute of previous entry mode experience facilitates both behavioural and cognitive type of organizational learning.

Prior empirical studies have not engaged in the appropriate operationalization of distinct types of functional experiences. While few studies simply differentiate a manufacturing business from non-manufacturing businesses (Yiu & Makino, 2002; Brouthers

& Brouthers, 2003; Tatoglu & Glaister, 1998), a couple of others operationalize functional experience in terms of firm's years of experience in manufacturing and distribution subsidiaries (Delios & Henisz, 2003), ratio of sales in a specific region to total sales (Chan & Rosenzweig, 2001).

Empirically, there have been fewer studies that examine the impact of functional domain of historical entry modes on subsequent mode choice. For the sales function, Chan and Rosenzweig (2001) revealed a positive association between prior international sales experience and firm's preference for greenfields over acquisitions or JVs. Likewise, Klein, et. al (1990) detected a higher propensity of a firm to adopt an integrated channel of distribution with the increase in channel volume of product line that increases through a greater employment of foreign sales subsidiaries. The higher volume of a product line enables firms to leverage economies of scale and derive greater benefits, thereby, increasing the likelihood of establishment of foreign subsidiaries for distribution function (Klein, et. al, 1990). Additionally, Delios and Henisz (2003) found that overall manufacturing experience mitigated the constraining influence of political hazards of a foreign country on FDI entry rates into that country. The extensive communication with local authorities in a manufacturing entry elevates firm's understanding regarding political nuances and develops expertise to manage political hazards and uncertainties that it confronts in FDIs in high-hazard nations (Delios & Henisz, 2003).

The above discussion suggests a critical role played by the functional experience on foreign expansion, however, this experience has a few shortcomings. The relevance of the organizational learning derived from the function of prior entry modes is contingent upon the functional domain and host country of subsequent operation. The similarity of these two factors in firm's prior and subsequent internationalization activity determines the

efficaciousness of functional learning.

When a firm endeavours in a novel function, the learning that evolves from previous functional areas would be ineffective. The newness of functional domain may render prior functional related setting up and operational knowledge as inappropriate. For instance, a production subsidiary would require completely different skills and management strategies than those essential for a running a sales subsidiary. However, when a firm makes an international entry in a previously established functional domain, the setting up and operational knowledge acquired from earlier functional experience could prove beneficial. The lower-level cognitive learning that is based upon repetition of prior actions (Fiol & Lyles, 1985) would assist the subsequent entry of a firm. Previous knowledge and skills acquired from setting up of function such as R&D facility or a manufacturing plant would be transferable and useful in the subsequent setting up of the same business function. A firm could also leverage a part of operational knowledge that pertains to the core operational facets.

The second key factor that determines the relevance of organizational learning derived from functional domain is the subsequent country of operation. In case of a repetitive entry in a specific host country, a firm is able to exploit country-specific knowledge accumulated through prior entries. The staged internationalization model suggests the stepwise internationalization of a firm in a specific host country from no export, to export via independent agents, and then to offshore sales subsidiaries and finally establishing production facilities (Johanson & Vahlne, 1977). This path of an increasing international commitment is based upon the accumulation of experiential knowledge through operations in that country (Johanson & Vahlne, 1977).

However, it is arguable that though firms may benefit from country-specific

knowledge acquired from repetitive operations in the same host country, learning required for operations of distinct functions will not be available. In other words, country-specific knowledge garnered from sales experience through exporting in a specific country is not sufficient to establish a sales subsidiary in the same country. Given the differences in costs, risks and resource commitments between two distinct entry modes and business functions, the setting up and operational knowledge critical for export engagement would not be completely transferable and useful for establishing a sales subsidiary. Therefore, functional learning may prove inadequate even if a firm operates in its previous countries of operations.

A key point to be considered is that similar institutional contexts provide an opportunity to a firm to leverage its previous context-specific or institutional knowledge. A firm experienced in an institutional environment similar to that of the target host country possesses a greater understanding of business codes, regulatory rules, and practices in the host nation and, thus, is better able to predict institutional conditions in target country (Perkins, 2014). Experience in a given culture were found less likely to deter their FDI entry in a country that lies in the same cultural block and has an uncertain public policy environment (Delios & Henisz, 2003). The learning accrued from prior investments hones the firm's ability to manage high policy uncertainty and depresses its sensitivity and uncertainty towards political hazards in a host country that is culturally similar to previous countries of operation (Delios & Henisz, 2003). Likewise, Barkema, et. al (1996) showed that the longevity of foreign affiliates i.e. acquisitions and JVs in a given country increases when a firm had experience in other countries of that cultural block. Experience garnered in culturally similar locations facilitates learning effects and aids in mitigation of cultural barriers that foster the survival of foreign ventures (Barkema, et. al, 1996). A host country that is different or institutionally dissimilar from prior countries of operations would deter the utilization of country-specific knowledge accrued from earlier functional domains of international entries.

Given the differences in institutional frameworks, cultures, consumers, social obligations and political scenarios between the two nations (Collins, et. al, 2009), the generalized application of prior country-specific knowledge could have severe implications on success and survival of a firm. Therefore, the extent of similarity of institutional contexts determines the usefulness of firm's learning derived from functional domains of preceding foreign entries

In order to overcome the inadequacy of the learning derived from functional experience, the EMP perspective theorizes the collective influence of the additional attributes of prior entry mode experience on future mode decisions. Particularly, general international experience that transforms a novice international firm to seasoned and experienced MNE enhances firm's confidence and capabilities critical for cross-border engagements (Mutinelli & Piscitello, 1998; Anderson & Gatignon, 1986). The overall maturity that a firm develops through general international experience allows a better evaluation of potential future expansions and cautious application of country-specific knowledge derived from previous operation of a function in a specific host country (Mutinelli & Piscitello, 1998). In the similar vein, a lower performance or failure encourages the firm to engage in problem-driven search and employ new appropriate solutions (Madsen & Desai, 2010; Starbuck & Hedberg, 2003). As firms introspect the cause of failure, they may discover that the underlying reason of poor performance is related to the inappropriate application of setting up or operational knowledge derived from functions of earlier entries. The realization of the importance of appropriate application of functional knowledge would safeguard firm from the perils of generalized application of prior functional related learning. Therefore, a simultaneous influence of several attributes of prior entry mode experience could alleviate the limitations of learning that evolve from individual characteristics of mode experience and mitigate risks associated with an international entry.

3.2.3.7. SIZE & RECENTNESS

Entry mode experience has been a topic of significant interest to scholars to understand the factors that underlie the selection of an entry mode. While there is some literature on the influence of characteristics of prior experience such as function, geographical diversity, country-specific experience and frequency of modes on future mode selection (Haleblian, et. al, 2006; Erramilli, 1991; Barkema & Vermeulen, 1998; Chan & Rosenzweig, 2001; Powell & Rhee, 2013), impact of few critical facets including the size and recentness of previous entry modes remains underspecified. In particular, size refers to the size of foreign subsidiaries and the recentness pertains to the recent entry mode experience or entry modes that have been established recently.

The entry mode experience can be assumed to consist of both large-sized and small-sized subsidiaries as well as newer and older entry modes. The extant literature acknowledges the significance of size of subsidiaries and recentness of entry modes in organizational learning (Ellis, et. al, 2011; Brouthers & Brouthers, 2000; Levitt & March, 1988); however, scholars have not yet examined their role in entry mode selection. The EMP theory identifies the contribution of these attributes of entry mode experience towards organizational learning and subsequent mode choice. The primary reason due to which these two attributes have been integrated as one is that both size and recentness act as key drivers of managerial attention. In other words, size and recentness capture the attention of decision makers that determines firm's strategic decisions through organizational learning.

Prior literature has emphasized on both size-specific learning as well as temporal learning garnered by a firm through entry modes. Ellis and colleagues (2011) suggest that higher frequency of small-sized acquisitions assists in the creation of routines that act as

blueprints specifying structures, communication patterns, level and speed of integration and retention practices for subsequent smaller acquisitions. Similarly, for large-sized modes, Ellis, et. al (2011) showed that previous experience with large related acquisitions facilitates the development of routines that generate positive transfer effects in current large deals and elevate post-deal performance (Ellis, et. al, 2011). The structural similarity between previous and focal deal as well as firm's experience to deal with complexities of large engagements underpins positive transfer effect (Ellis, et. al, 2011). In addition, large-sized subsidiaries help firms to secure firm-specific knowledge regarding their capacity to establish large scale affiliates while exposing firms to several operational aspects and uncertainties specific to large sized investments. For example, firms secure information regarding the shortage of financial and/or managerial resources and the extent of complementary assets required for actualization of large foreign subsidiaries (Tsang, 2005; Brouthers & Brouthers, 2000). Firms confront additional aspects of large-scale investments such as switching costs, overheads, costs, returns and need of infusion of capital and managerial resources (Kaynak, Demirbag & Tatoglu, 2007). Firms also become aware of risks and uncertainties that stem from potential threats to assets and losses in large affiliates (Brouthers & Dikova, 2010; Tsang, 2005). Therefore, past research suggests that small-sized and large-size subsidiaries elevate firm's existing stock of knowledge and overall learning.

Further, time is a critical factor in organizational learning as the quality of the repository of experience is contingent upon the temporal distance from experience and that transformation of experience to knowledge through integration and codification requires time (Meschi & Metais, 2013). However, prior literature has been not been conclusive regarding the relative significance of older and newer entry mode experience. One view emphasizes that cumulative impact of older experience on firm's knowledge base (Cho & Padmanabhan, 2001). In particular, organizational learning theory is underpinned by a key assumption that

experiential lessons are maintained within the routines even with passage of time and turnover of personnel (Levitt & March, 1988). Therefore, older experience when accumulated, maintained and leveraged assists a firm in becoming a mature and competent entity, while endowing the firm with several advantages including reduced uncertainty and enhanced industrial knowledge. Particularly, Haleblian and Finkelstein (1999) suggest that old acquisition experience plays a critical role in generating valuable knowledge of industry environments that enable appropriate generalization of prior acquisition experience for subsequent acquisition targets within the same industry. Hence, this view acknowledges the importance of older experience in firm's survival and performance.

In contrast, other view suggests that recent experience plays a more crucial role than older experience in firm's learning. The decay and disuse of older experience leads to organizational forgetting which depreciates the importance of old inferences and knowledge (Meschi & Metais, 2013). Importantly, organizational forgetting acts as a key driver of learning as forgetting creates room for the assimilation of new knowledge (Meschi & Metais, 2013). The significance of more recent entry modes in facilitating organizational learning could also be inferred from unavailability and inapplicability of older experiences. A greater interval between acquisitions causes inferences drawn from prior experiences to loose their relevance due to the attrition, internal transfer of employees and inappropriate codification of learning (Hayward, 2002). Additionally, several factors including the costs of recording of routines, limits on time, legitimacy of socializing agents and limitations of organizational control dissuade the conversion of experience into routines (Levitt & March, 1988). In sum, previous literature comprises of dichotomous opinions regarding the relative importance of more recent and earlier established entry modes in organizational learning.

The above scholarly suggestions highlight the significance of the size of subsidiary

and recentness of an entry mode in fostering organizational learning. However, I was unable to find an empirical study that examines the learning garnered by a firm from the size of previous subsidiaries and its consequence on subsequent entry mode choice. The closest the literature comes to is the influence of the size of foreign investment on firm's current mode selection. For instance, Tsang (2005) and Dikova and Witteloostuijn (2007) showed that as the size of investment increases, firms prefer to employ JVs, however, Brouthers and Brouthers (2002) found that for large foreign affiliates, firms were more inclined towards acquisitions. A group of other researchers including Hennart (1991), Kaynak, et. al (2007) and Luo (2001) revealed a statistically insignificant relationship between the size and entry mode choice.

Further, only one empirical study determines the relative significance of older entry mode experience versus the newer or more recent experience. The study by Cho and Padmanabhan (2001) revealed that though firms value both more recent and old decision-specific experience, the newer or more recent experience is marginally more significant than older experience in determining the future mode of entry choice. Decision-specific experience pertains to the frequency and years of operations of a particular entry mode (Padmanabhan & Cho, 1999). The old decision-specific experience is deprecated as it represents the information regarding product attributes, while new-decision specific experience reflects changing environmental attributes that are quite rapid to mitigate the advantages of old environmentally related experience (Cho & Padmanabhan, 2001). In sum, while there exists one empirical study that examines the role of more recent entry mode experience in future mode selection, no research has yet explored the influence of size of preceding subsidiaries on firm's learning and subsequent mode choice. In other words, scholars know little about the impact of newer and older modes as well as larger and smaller subsidiaries on next mode selection through organizational learning.

Building my theoretical reasoning on the Attention Based View (ABV) (Occasio, 1997) and cognitive processes (Tseng, Fang & Chiu, 2011; Schwenk, 1988) that underpin strategic decision making, I propose that a larger sized subsidiary and more recent entry modes capture manager's attention and that further influences the learning acquired by the firm and its future mode of entry choice. Attention pertains to 'noticing, encoding, interpreting and focusing of time and effort by organizational decision-makers on issues and answers' (Occasio, 1997: 189). A firm's behaviour or subsequent pattern of activities is representative of how managers channel and distribute their attention (Joseph & Wilson, 2017; Yu, Engelman & Van de Ven, 2005). One of the fundamental principles of ABV is the principle of selective attention i.e. organizations selectively attend to few aspects of the organizational environment and tend to ignore other external events (Hoffman & Ocasio, 2001; Durand & Jacqueminet, 2015). Stated differently, as attention is limited and is not always uniform, only a few specific issues and initiatives receive the attention of decision makers and play a key role in the decision- making process (Wu & Guan, 2012; Joseph & Wilson, 2017; Durand & Jacqueminet, 2015). The basic principles of ABV are based upon the cognitive processes that represent mental models of decision makers (Tseng, et. al, 2011). Decision makers engage in cognitive simplification and employ several inferential rules, judgemental rules or heuristics when they confront complex problems (Schwenk, 1988; Barnes, 1984).

Given the scarcity of managerial attention and limited cognitive capacity of firms to deal with stimulus (Tseng, et. al, 2011; Hoffman & Ocasio, 2001), I posit that decision makers would have concern for only large-sized subsidiaries and for more recent entry modes. Prior entry modes with these attributes would occupy the consciousness of decision makers and garner more attention from them. A study by Bouquet and Birkinshaw (2008) confirmed the positive relation between the size of subsidiary and headquarters attention. A greater size

of subsidiary through its administrative heritage receives more attention from corporate headquarters (Bouquet & Birkinshaw, 2008). Additionally, greater switching costs, overheads, resource commitment, risks and uncertainties associated with a large-sized subsidiary would attract a greater attention from decision makers which would further influence the subsequent mode choice.

Likewise, a recent entry mode gains the attention of decision makers owing to characteristics of organizational memory and availability heuristics. Organizational memory constitutes an imperfect information processing system due to which complete encoding and storage of information does not take place, thereby, resulting in loss of information and forgetfulness (Meschi & Metais, 2013). As specific parts of organizational memory are more available for retrieval due to recentness of routine's use, recently employed routines are more easily evoked than old routines, knowledge and skills (Levitt & March, 1988). Specifically, the decay and disuse of old experience would facilitate an easier recall of recent experience. While the decay pertains to natural erosion of the stored information owing to lost files, staff attrition and evolvement in firm's structure that replace old stored information with novel information, the disuse takes places when stored information has not been recalled or used in the long term that leads to its disappearance (Meschi & Metais, 2013).

Further, one of the several heuristics employed by decision makers during cognitive simplification is the availability heuristic that pertains to the availability of prior instances of changes or events in decision maker's memories (Schwenk, 1988). The availability heuristic is influenced by the recentness of the event that facilitates an easy recall of prior occurrences of changes (Schwenk, 1988). As availability heuristic underlies firm's strategic decisions, it facilitates a greater focus and attention of decision makers unto the recent entry modes.

Hence, above suggestions underpin the idea that selective attention of decision makers

would be restricted to large-sized and more recent modes. The noticing of these specific factors causes the Top Management Team (TMT) to comprehend, analyse and give them structure and meaning (Wu & Guan, 2012). The generation of meaning and interpretation of these factors influence subsequent entry mode choice (Wu & Guan, 2012). In the EMP theory, I posit that the generation of meaning and interpretation underpinned by greater attention would propel the firm to learn more from larger and more recent entry modes when compared to smaller sized and older modes.

With respect to type of learning, both large size subsidiary and a more recent entry mode could foster lower-level cognition learning as well as higher-level cognition learning. For instance, experience with a large-sized subsidiary enhances firm-specific knowledge regarding the organization and management of large-scale establishments including risks and uncertainties (Tsang, 2005; Brouthers & Brouthers, 2000; Brouthers & Dikova, 2010). Specifically, this knowledge could alter established norms, assumptions, frames of references and interpretations i.e. higher-level cognition learning could take place. However, a greater frequency of large-sized subsidiaries could also act as a source of lower-level cognition learning due to repetitive mechanism. The repetitive establishment of large-sized affiliates assists in creation of routines specific for larger subsidiaries that would enhance the efficiency of implementation of large-sized affiliates.

Given the ability of recent entry mode experience to capture more attention of decision makers and to impact underlying cognitive processes, the association between a more recent entry mode and cognition learning is inferred. However, the type of cognition learning generated i.e. lower-level cognition learning and higher-level cognition learning is contingent upon additional facets of entry mode experience such as frequency, size and performance of entry modes. For instance, a greater frequency of recent modes could foster

lower-level cognition learning, while a recently failed entry mode could facilitate higher-level cognition learning as failure induces the firm to engage in deep reflection, search for appropriate representation of reality and actualize knowledge developmental efforts that alter established organizational structures and practices (Madsen & Desai, 2010).

The learning derived from size and recentness of historical entry modes also has several drawbacks. Specifically, the misapplication of routines developed from prior small and related acquisitions to large acquisitions owing to organizational inertia could have severe implications (Ellis, et. al, 2011). As large acquisitions are qualitatively different from small sized acquisitions, they form an inappropriate context for routines developed from smaller acquisitions that adversely impact the post deal performance of large acquisitions (Ellis, et. al, 2011).

In the similar vein, the significance of recent experience may be undermined owing to several factors. One of these factors is availability heuristics that underlies the firm's attention towards recent events. Besides making managers complacent, availability heuristics not only limits the number of alternatives that firms take into account for decisions but also interferes in objective discussions due to effects of memorability and imaginability (Schwenk, 1988; Barnes, 1984). The bounded rationality and satisficing behaviour of decision makers limits possibilities and alternative scenarios considered as well as readjustment to accurate information, thereby, causing the firm to deviate from optimal decision-making process (Peeters, Dehon & Garcia-Prieto, 2015). Additionally, learning derived from recent experience does not always assist in firm's learning. Meschi and Metais (2013) suggest recent experience does not facilitate the development of acquisition management competence as it does not provide adequate time for memorizing, encoding and analysing integration practices. Their study revealed that that it's neither old nor recent acquisition experience, but

medium-term acquisition experience that depresses the probability of failure of subsequent focal acquisitions.

A similar idea is expressed by Hayward (2002) that quick succession of deals keeps managers preoccupied, thereby, hampering critical evaluation of prior deals and diverting attention from inferences that stem from recent acquisitions. While focusing exclusively on large acquisitions, Hayward (2002) found a positive relationship between the time elapsed between the prior and focal acquisitions and focal acquisition performance. The findings suggest that longer wait between large acquisitions gives more time for integrating inferences and learning from large deals, thereby, resulting in stronger focal acquisition performance (Hayward, 2002). In sum, these findings reinforce the idea that optimal interval between acquisitions is longer for large-sized acquisitions and that a recentness of an entry mode may not always be appropriate for firm's learning.

The influence of size and recentness of prior experience does not take in isolation but in conjunction with other dimensions of experience. For instance, the higher performance of firm's most recent acquisition increases the likelihood of the subsequent acquisition, while poor performance of recent acquisition decreased the adoption of acquisition as future entry structure (Haleblian, et. al, 2006). In other words, both performance and recentness of historical entry modes interact with each other to determine the future mode of entry choice.

A similar interaction of recentness and frequency facet of entry mode experience is observed in Cho and Padmanabhan's (2001) research. In their earlier study, Padmanabhan and Cho's (1999) showed that firms attach greater importance to decision specific experience i.e. frequency and years of operations of a particular entry mode than number of years of firm's overall business experience in selecting their entry mode structures. However, in their subsequent research, Cho and Padmanabhan (2001) showed that though firms value both

more recent and old decision-specific experience, more recent or newer experience is marginally more significant than old experience in determining mode of entry choice. Thus, entry mode decision is viewed as an outcome of interplay among several facets of experience including frequency, years and recentness of prior entry mode experience. Hence, collective influence of multiple facets of prior experience is clearly needed.

The consideration of several facets of entry mode experience overcomes the drawbacks of learning that evolve from size and recentness attributes of entry mode experience. For instance, the significance of the recent experience may be undermined owing to several factors. Particularly, adequate time for memorizing, encoding and analysing integration practices does not exist and therefore, development of acquisition management competence does not take place (Meschi & Metais, 2013). The organizational learning derived from a frequency could acts as a prescription for these limitations. A greater frequency of recent entry modes enriches the knowledge base of a firm and creates novel and productive repertoires, while inducing the firm to leverage these routines and enhance the efficiency of subsequent mode establishment (Padmanabhan & Cho, 1999; Nadolska & Barkema, 2007). The learning derived from the frequency of recently established entry modes could enable the firm to extract and analyse inferences and encode them into routines and practices, which deepens the firm's understanding developed from recent modes.

Likewise, the cognizance of frequency of large subsidiaries enables the firm to discriminate between a large size acquisition from a small size acquisition and transfer size-specific routines to appropriate contexts. A greater frequency also hones the firm's ability to extract inferences even between temporally close entry modes. Additionally, consideration of other facets such as general international experience could mitigate the implications of availability heuristics i.e. restricted alternatives or unqualified discussions by increasing

firm's maturity and capabilities to draw valuable insights even from a recent mode experience. Therefore, EMP's assertion, that is, the simultaneous influence of several attributes of entry mode experience enables the firm to harvest synergies and overcome vulnerabilities in a mode selection decision which facilitates the success of an international entry. Table 1 provides a review of operationalisation of experience, samples and methods used in earlier studies.

Table 1: Experience Operationalization, Sample & Methods of Prior Studies

S.No	Study	Operationalization of Experience	Sample	Method	Results
1	Padmanabhan & Cho,1999	Ownership Experience: count-years full versus shared. General International Experience: Count-years. Host Country Experience: Count-years.	402 Japanese Firms	Logistic Regression	Significant and Positive.
2	Nadolska & Barkema, 2007	Mode Frequency: Total Count	25 Firms listed on Amsterdam Stock Exchange	Negative Binomial Regression	Significant and Positive
3	Haleblian, et. al, 2006	Mode Frequency: Total Count	579 Publically Traded US banks and bank holding companies	Piecewise exponential model	Significant and Positive
4	Collins, et. al, 2009	Mode Frequency: Total Count Host Country Experience: Total Count	S&P 500 firms	Logistic Regression	Significant and Positive
5	Tahir & Larimo, 2004	General International Experience: Total Count	135 Finnish Firms	Binomial Logistic Model	Significant and Positive
6	Yiu & Makino, 2002	Mode Frequency: Rate of Joint Venture over Wholly owned subsidiary established	364 Japanese Subsidiaries	Logistic Regression	Significant and Positive.
7	Lu, 2002	Mode Frequency: Total Count	1,194 manufacturing subsidiaries of Japanese Firms	Logistic Regression	Significant and Positive.

8	Vermeulen & Barkema, 2001	Mode Frequency: Total Count	25 Largest Non-Financial Firms listed on Amsterdam Stock Exchange	Logistic Regression	Significant and Positive
9	Guillen, 2003	Mode Frequency: Total Count	506 South Korean Manufacturing Firms	Cox Model	Significant and Negative
10	Arslan & Larimo, 2011	General International Experience: Total Count Host Country Experience: Total Count	100 Finnish Firms	Logistic Regression	General International Experience: Significant and Positive Host Country Experience: Significant and Negative
11	Barkema & Vermeulen, 1998	Geographical Diversity: Count of foreign countries	25 Largest Non-Financial Firms listed on Amsterdam Stock Exchange	Logistic Regression	Significant and Positive
12	Slangen & Hennart, 2008	Geographical Diversity: Count of foreign countries Host Country Experience: Values assigned to firms on the basis of entry in host country through licensing agreements, sales agents, sales subsidiaries, manufacturing or service subsidiaries	171 Foreign Investments of Dutch Firms	Logistic Regression	Geographical Diversity: Significant and Positive Host Country Experience: Not significant

13	Tsang & Yamanoi, 2016	Geographical Diversity: Count of foreign countries	36 Singapore Firms	Logistic Regression	Significant and Negative
14	Klier, et. al, 2017	Geographical Diversity: Count of foreign countries General International Experience: Year of length firm's prior international activity Host Country Experience: Count of subsidiaries	95 studies	Meta Analyses	Host Country Experience: Significant and Positive General International Experience and Geographical Diversity: Insignificant
15	Gomes & Ramaswamy, 1999	Host Country Experience: Index (from 0 to 16) how 'familiar' foreign host countries were to U.S. MNE based on how often these MNEs entered one country before another during 1900-1976.	187 US MNEs	Logistic Regression	Significant & Positive
16	Erramilli, 1991	General International Experience: Length of Years Geographical Diversity: Interval Scale based upon respondent statements	175 US Service Firms	Logistic Regression	Significant & U-Shaped Relationship
17	Hennart, 1991	General International Experience: Length of Years	158 Japanese Subsidiaries in United States	Logistic Regression	Significant & Positive
18	Arslan & Wang, 2015	General International Experience: Total Count of Foreign Investments Host Country Experience: Length of Years	106 Acquisitions by 65 Nordic MNEs in China	Logistic Regression	General International Experience: Non-Significant Host Country Experience:

					Significant & Positive
19	Kogut & Singh, 1988	Geographical Diversity: Count of foreign countries	US Firms	Multinomial Logit Model	Non-Significant
20	Luo, 2001	Host Country Experience: Length of Years and Total Count of Subsidiaries	174 Foreign Subsidiaries in China	Logistic Regression	Significant & Positive
21	Blomstermo, et. al, 2006	General International Experience: Length of Years	140 Swedish Service Firms	Logistic Regression	Non-Significant
22	Nakos & Brouthers, 2002	General International Experience: Length of Years	117 Greek SMEs	Logistic Regression	Non-Significant
23	Mutinelli & Piscitello, 1998	General International Experience: Length of Years	386 Italian MNEs	Logistic Regression	Significant & Positive
24	Brouthers & Brouthers, 2000	General International Experience: Export Ratio	136 Japanese MNEs	Logistic Regression	Significant & Positive
25	Arslan & Larimo, 2010	Mode Frequency: Total Count	122 Finnish MNEs	Logistic Regression	Non-Significant
26	Gatignon & Anderson, 1988	Mode Frequency: Total Count	1267 foreign entries of American MNEs	Multinomial Logit	Significant & Negative
27	Dow & Larimo, 2011	Host Country Experience: Cluster Analysis	242 Nordic Firms	Logistic Regression	Significant & Positive

28	Padmanabhan & Cho, 1996	General International Experience: Length of Years Host Country Experience: Length of Years	839 Foreign Investments of Japanese Firms	Logistic Regression	General International Experience: Significant & Positive Host Country Experience: Significant & Positive
29	Chiao, et. al, 2010	General International Experience: ratio of foreign sales to total sales, the ratio of foreign assets to total assets, the ratio of foreign fixed assets to total fixed assets, and the ratio of foreign employees to total employees.	810 Taiwanese Firms	Logistic Regression	Significant & Positive
30	Brouthers, et. al, 1996	General International Experience: Percentage of Foreign Sales	25 US Computer Firms	Analysis of Variance	Significant & Positive
31	Chan & Rosenzweig, 2001	Function: Ratio of sales in a specific region to total sales	816 FDIs of Japanese and European Firms in US	Multinomial Logit	Significant & Positive
32	Cho & Padmanabhan 2001	Recentness: 1/log (count years)	605 FDIs of Japanese Firms	Logistic Regression	Significant & Positive
33	Dikova & Witteloostuijn, 2007	General International Experience is a composite measure based upon length of year and Count of foreign countries Frequency: Count of foreign countries and count of acquisitions and greenfields	160 EU Firms investing in 10 transition economies	Logistic Regression	General International Experience Significant & Negative Frequency: Significant & Positive

3.3. DISCUSSION

The International Business (IB) literature has highlighted the significance of the boundaries of a firm by placing international entry mode selection at the heart of IB research (Shaver, 2013). The association of entry modes with the extent of control, resource commitment, risk, amount of investment, convenience of knowledge transfer and flexibility of future strategies (Brouthers, et. al, 2008a; Anderson & Gatignon, 1986; Kim & Hwang, 1992; Musteen, et. al, 2009; Padmanabhan & Cho, 1996) rationalizes entry mode selection as a core theme in IB literature. The implications of an entry mode choice on the performance of modes bring forth its long-term impacts (Brouthers, 2002; Brouthers, et. al, 2003) and reinforce not only the practical importance of a sound and strategic mode choice but also scholarly attention towards entry mode selection. Importantly, previous experience plays a consequential role in a future entry mode choice as suggested by major theoretical perspectives such as TCE, RBV, institutional theory and Dunning's OLI paradigm that underpin the entry mode research (Gatignon & Anderson, 1988; He, et. al, 2013; Yiu & Makino, 2002; Nakos & Brouthers, 2002; Slangen & Hennart, 2008; Powell & Rhee, 2013; Nadolska & Barkema, 2007; Maekelburger, et. al, 2012; Ekeledo & Sivakumar, 2006, Chan & Makino, 2007; Li, 1995).

Nevertheless, empirical literature exhibit divergent conclusions regarding the impact of prior experience on subsequent mode choice i.e. ranging from no significant relationship between experience and entry mode choice, to firm's preference for high-control modes as well as for low-control modes or shared ownership structures (Gatignon & Anderson, 1988; Padmanabhan & Cho, 1996; Luo, 2001; Kim & Hwang, 1992; Ekeledo & Sivakumar, 2004; Mutinelli & Piscitello, 1998; Agarwal & Ramaswami, 1992; Brouthers, et. al, 1996; Brouthers & Brouthers, 2003; Delios & Beamish, 1999; Erramilli, 1991). These variances in

findings could be explained by the fact that empirical studies employ several diverse experience-based measures such as total number of foreign investments (Nadolska & Barkema, 2007), length of time in years of firm's operation in the host country (Padmanabhan & Cho, 1996), the number of foreign countries in which a firm has subsidiaries (Barkema & Vermeulen, 1998) and number of years since the first assignment abroad or operations outside home country prior to current entry (Blomstermo, et. al, 2006; Nakos & Brouthers, 2002). These are essentially distinct attributes of entry mode experience, that is, frequency, host country experience, geographical diversity and general international experience respectively. These myriad range of experience-specific measures lead to a glaring shortcoming of entry mode literature, that is, inconsistency in empirical findings regarding impact of prior experience on firm's ownership levels.

A systematic study of combined influence of multiple attributes of prior mode experience on future mode selection is in its infancy with only few strands of entry mode literature exploring this research domain (Hennart & Slangen, 2015; Cho & Padmanabhan, 2001; Haleblian, et. al, 2006). This understudied yet conceptually significant context offers a significant opportunity for theory building. Essentially, a growing brand of scholars advocate that pivotal elements of future research should be independence among entry modes (Hennart & Slangen, 2015; Shaver, 2013), distinct types of experiences that facilitate firm's learning (Hennart & Slangen, 2015) and the influence of that learning on subsequent mode choice (Brouthers & Hennart, 2007; Brouthers, 2013). Besides the recognition of descriptive or prescriptive objective of future studies (Shaver, 2013), the mainstay of entry mode research should be formed by integration of theoretical perspectives (Brouthers, 2013) and application of constructs from other disciplines (Shenkar, 2012; Zhao, et. al, 2004).

Following up on this call and motivated by the unexplored potential of the collective

influence of distinct attributes of prior mode experience, I developed a novel entry mode selection perspective based upon characteristics of historical entry mode experience and organizational learning- known as the Entry Mode Portfolio (EMP) theory. The EMP theory conceptualizes the distinct types of organizational learning derived from multiple attributes of prior mode experience as a portfolio or a bundle of organizational learning known as EMP. The key attributes of experience considered are frequency, geographical diversity, general international experience, host country experience, performance, size and recentness. EMP theory determines the influence of EMP on future mode selection (Figure 2).

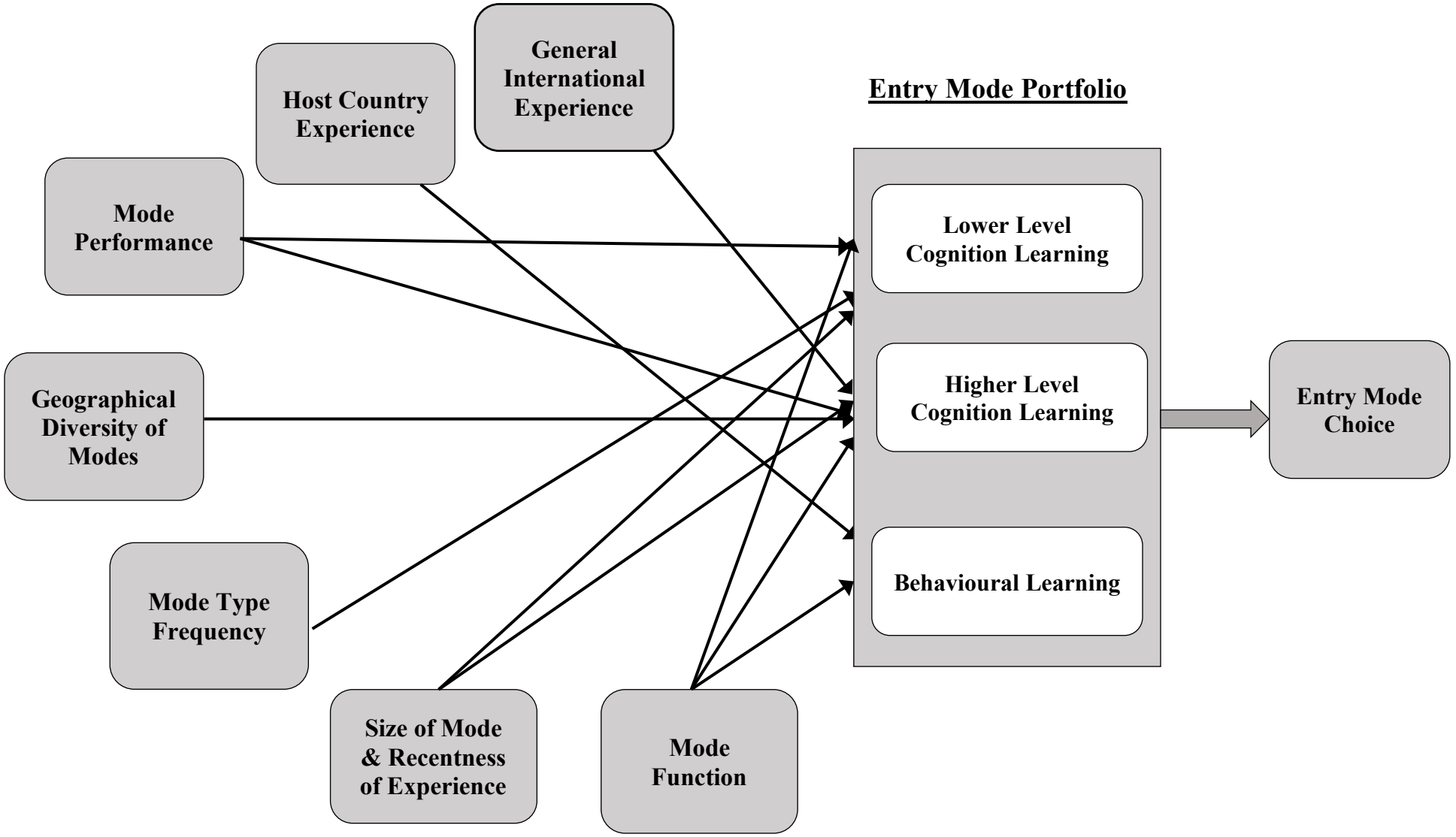
My main premise for developing the EMP theory is based upon financial portfolio theory that suggests that overall risk of a portfolio of investments can be reduced through varying magnitude and direction of firm-specific risks in each investment (Brealey, et. al, 2011; Berk & DeMarzo, 2011). I, in the EMP theory, argue that investments of the portfolio i.e. distinct types of organizational learning through their unique strengths tend to mitigate risks and extract synergies in the firm's choice of foreign entry structure. In particular, EMP perspective explain how interaction among different learning that evolves from several attributes of prior entry mode experience tends to mitigate dysfunctional influences of organization inertia and momentum (Shimizu & Hitt, 2005; Miller & Friesen, 1980), learning myopia (Levinthal & March, 1993), superstitious learning (March & Olsen, 1975) and application errors (Zeng, et. al, 2013), thereby, lowering the overall risk and vulnerabilities associated with entry mode choice and enabling the firm to engage in a qualified and informed entry mode selection which facilitates a higher return or a performance.

As a firm garners international experience and develops a richer EMP, it refines its knowledge and interpretation as well as hones its ability to draw inferences from EMP (Huber, 1991). As a consequence, EMP-related insights and lessons get embedded in routines

and practices pertaining to entry mode selection (Levitt & March, 1988). Given the critical implications of an entry mode on firm performance and the potential of EMP to facilitate a strategic mode selection (Brouthers & Hennart, 2007; Zhao, et. al, 2004), a firm tends to leverage EMP in the subsequent choice of foreign entry structure for positive and predictable outcomes (March, 1991). Overall, EMP theory facilitates an informed and superior mode selection by mitigating risks (lower risk) and extracting synergies (higher return) from the collective influence of different constituents of portfolio.

3.3.1. THE RBV PERSPECTIVE ON EMP

The conceptual significance of EMP can be explained through Resource-Based View (RBV). RBV perceives a firm as a bundle of unique resources and capabilities (Eisenhardt & Schoonhoven, 1996). RBV suggests that the primary task of management is to maximize value through optimal deployment of existing resources and capabilities (Eisenhardt & Schoonhoven, 1996; Erramilli, et. al, 2002). Firm resources are defined as the resources controlled by firms that facilitate firm strategies to enhance its efficiency and effectiveness (Barney, 1991). Resources consist of tangible and intangible assets including physical capital, human capital and organizational capital resources (Barney, 1991; Dev, et. al, 2002).



EMP THEORY

(Figure 2)

Essentially, Knowledge Based View (KBV) extends the concept of resources to include intangible assets, specifically, knowledge-based resources that can be acquired, transferred, or integrated for a sustainable competitive advantage (Eisenhardt & Santos, 2002). KBV considers knowledge as the most strategically significant resource of a firm (Grant, 1996). In particular, RBV emphasises the role of firm's unique history i.e. the path traversed by the firm since its inception to its current position in its competitiveness (Barney, 1991). RBV views prior international experience as an intangible resource that plays a key role in firm's ownership strategies (Aulakh & Kotabe, 1997; Ekeledo & Sivakumar, 2004; Mutinelli & Piscitello, 1998). International experience generates specific experiential knowledge that is tied semi-permanently to firm and pertains to organization and management of international operations (Hollender, et. al, 2017). In consistence with RBV's rationale of value maximization of a firm through pooling and utilizing valuable resources (Das & Teng, 2000), I, in the EMP perspective theorize that the value of a firm enhances through the aggregation or pooling of learning derived from distinct attributes of the entry mode experience which facilitates a superior mode choice that leads to a higher performance.

Based upon the assumptions of heterogeneity and imperfect mobility of strategic resources, Barney (1991) suggests that resources must possess characteristics such as valuableness, imperfectly imitability and non-substitutability (VRIN) to facilitate sustained competitive advantage. Importantly, international experience possesses VRIN characteristics owing to the rarity of internationally experienced managers, unique historical conditions coupled with the valuable aspect of international experience that refines firm's understanding regarding foreign consumers and operations in a host country (Hollender, et. al, 2017). In line with this reasoning, EMP theory maintains that EMP, evolving from firm's idiosyncratic historical circumstances, is characterized by valuableness, rarity, imperfectly imitability and non-substitutability and therefore, influences the firm's competitiveness and performance

(Barney, 1991; Klier, et. al, 2017).

A resource is valuable when it facilitates the conception and implementation of firm's strategies that reinforce the efficiency and effectiveness of a firm (Barney, 1991). EMP qualifies as a valuable resource as it mitigates uncertainties associated with an entry mode selection by overcoming the limitations of the learning derived from one attribute with organizational learning that evolves from another attribute. In particular, EMP evolves from integration and interaction among different types of learning derived from several attributes of mode experience and influences the competitiveness of a firm through the strategic selection of an entry mode, therefore, it can be viewed as a valuable firm-specific resource (Eisenhardt & Schoonhoven, 1996) The valuableness of EMP has also been acknowledged in empirical studies that highlight the importance of organization learning derived from frequency, geographical diversity, general international experience and host country experience in enhancing the firm's understanding regarding distinct facets of an international entry i.e. establishment, management and operations of foreign affiliates (Nadolska & Barkema, 2007; Padmanabhan & Cho, 1999; Chan & Rosenweig, 2001; Erramilli, 1991; Barkema, et. al, 1996; Hennart, 1991).

The rarity of EMP is achievable. Each MNE or competitor possesses a unique internationalization history build across different countries, times, functions and outcomes therefore, a distinct EMP will be available for each firm. As a consequence, EMP can be assumed as a rare resource as probability of existence of the exactly similar EMP among competing firms is quite low. For instance, a firm's prior international entries through WOSs facilitate a EMP which is different from that evolves from other firms' international proclivity through JVs or other modes of entry. Therefore, rareness of the EMP is conceivable due to non-existence or minimal WOS-specific entry mode experience of other competitors. In

addition, EMP, a portfolio of experiential learning, has limited mobility that reinforces its specificity (Meschi & Metais, 2006).

Further, two additional characteristics i.e. imperfectly imitability and non-substitutability justifies the strategic importance of the EMP. Imperfect imitability is defined as the inability of competitors to obtain key resources (Barney, 1991). According to the EMP theory, the imperfect imitability of EMP can be ascribed to the combination of two factors i.e. historical conditions and causal ambiguity. EMP is a multifaceted organizational learning built across a firm's unique positions in time and space that yield distinct dimensions of prior entry mode experience and therefore, a unique and a firm-specific EMP. The uniqueness of the historical experience and idiosyncratic nature of EMP coupled with firm's unique ability to integrate knowledge and the fact that it cannot be readily provided by a market (Grant, 1996; Hollender, et. al, 2017) mitigates the prospects of imitability of EMP. Importantly, these factors also facilitate causal ambiguity i.e. imperfect understanding regarding EMP and its association with competitive advantage (Barney, 1991). The specificity of a firm's internationalization experience as well as the uniqueness of source and implications of EMP could only be imperfectly comprehended by competitors. Therefore, historical circumstances and causal ambiguity makes EMP less imitable.

The importance of unique internationalization path traversed by a firm can also be extended to non-substitutability of EMP (Barney, 1991). The source of the EMP is firm's prior historical actions that render an idiosyncrasy to the EMP; therefore, it is not available in markets or is non-tradable resource. In other words, EMP is characterized by imperfect substitutability i.e. barriers to obtain same resources from elsewhere (Das & Teng, 2000). However, competitors firm may establish a certain degree of substitutability through their own EMP. Nevertheless, the probability of a complete strategic equivalence of EMP is low

owing to its immobility and idiosyncrasy. Therefore, in consistence with international experience which is firm-specific and evolves from unique historical situations and is therefore, difficult to imitate and substitute, EMP can be treated as non-substitutable and less-imitable resource which results heterogeneous rents and firm performance (Hollender, et. al, 2017; Meschi & Metais, 2006). Taken together, these ideas indicate that EMP possesses VRIN properties and therefore, plays a critical role in firm's competitiveness.

Given the VRIN attributes of EMP and rationale of portfolio lens, EMP perspective assists in a sound mode choice by combining different types of learning that evolve from the attributes of preceding entry mode experience into a portfolio of organizational learning or EMP. As a firm leverages EMP, it refines and codifies its knowledge and skill of making a qualified entry mode selection and disseminates this knowledge to develop an organizational competence (Meschi & Metais, 2006). In other words, knowledge creation and accumulation through EMP assists the firm in avoiding past errors in mode of entry choice and enhancing its performance levels (Meschi & Metais, 2006). EMP, that is, portfolio-based learning, through producing and reproducing knowledge and skills, facilitates the capability of firm to select the correct entry mode that leads to a better performance (Bhatti, et. al, 2016).

3.4. LIMITATIONS, IMPLICATIONS & CONCLUSION

While EMP perspective is first of its kind, it is subjected to several theoretical limitations, which also offer additional research opportunities. I highlight three issues of this nature. First, the EMP theory devotes attention to international entry mode experience and organizational learning that evolves from that experience. Therefore, international proclivity that generates substantial historical information related to entry modes is paramount for the EMP theory. As a consequence, the scope of EMP perspective is limited to large MNEs which are

internationally active and have been internationalized for considerable period of time. This perspective may not be applicable to small and medium sized firms, which may have different preferences with respect to internationalization. Generally, a greater resource commitment by a larger firm represents a small proportion of its overall resources; the same resource commitment may constitute a significant proportion of a small-sized firm's total resources (Brouthers, et. al, 2008a). Additionally, larger firms owing to greater possession of resources prefer greater resource commitments i.e. equity modes or WOSs, however, small-sized firms with relatively fewer resources are more inclined towards non-equity modes (Brouthers & Nakos, 2004; Brouthers & Brouthers, 2003).

Likewise, it is plausible to expect that entry mode choices of global and ibusiness firms may not be explained by the EMP theory in a befitting manner. In particular, born-global firms are the business organizations that from inception, seeks to derive significant competitive advantage from use of resources and the sale of outputs in multiple countries (Oviatt & McDougall, 1994). In addition, firms that use Internet or Computer Based Information Systems to gain better and easy acquisition of information about foreign markets constitute ibusiness firms (Brouthers, Geisser & Rothlauf, 2016). Future studies could enlighten entry mode explanations by theorizing for born-globals and ibusiness firms as well as for firms of various sizes, thereby, enhancing the generalizability of the EMP perspective.

Second, while I have theorized the interplay among different organizational learning, there is the possibility that other interaction effects could influence mode of entry choice. In particular, factors such as MNC's strategic orientations (Efrat & Shoham, 2013), risk preferences of decision makers and international experience of Top Management Team (TMT) (Aharoni, et. al, 2011), CEO tenure (Xie, 2014), decision rationality and hierarchical centralization (Ji & Dimitratos, 2013), and local complementary inputs (Hennart, et. al, 2015)

play a key role in entry mode selection decision by foreign investors. For instance, long-tenured CEOs possess greater experience which endows them with operational knowledge of organizations and familiarity with decision making processes, therefore, they are inclined towards riskier strategies such as full-control entry modes (Xie, 2014). Likewise, Nielsen and Nielsen's (2011) study revealed that TMT with international experience preferred full-control entry modes, while nationally diverse TMTs were more likely to employ shared-control modes as foreign entry structures. I believe analyzing these factors and their interaction with EMP provides an interesting area of research. Researchers could also analyze the relative importance of these factors including EMP in entry mode decisions to inform the future entry mode-based studies.

Third, I have a developed a theory that analyses firm's international entry mode experience and its influence on subsequent choice of international entry structure. Future researches could explore portfolio concept in the domestic context and enhance understanding regarding firm's mode choice in the country of origin. By focusing on specific attributes of experience that are pertinent to domestic context, subsequent studies could advance the knowledge regarding firm's strategic choices in the home country. It will also be interesting to engage in the comparative analysis of international- and domestic- EMP perspective.

Despite these limitations, EMP theory provides an important contribution to managerial practice. Firms interested in enhancing their competitiveness and elevating their performance could find that application of portfolio-based perspective leads to a qualitatively better entry mode decision. EMP lens, through a collective approach, allows the interplay among different learning that overcomes their dysfunctional influences on entry mode choice owing to organizational inertia, momentum, learning myopia, application errors and superstitious learning (Miller & Chen, 1994; March & Olsen, 1975; Levinthal & March,

1993; Schwenk, 1988). Using EMP as a basis of mode choice decision will, therefore, result in superior performance as compared to mode choices that evolve from non-EMP approach. Therefore, firms may want to reconsider their reliance on an individual facet of mode experience and employ a more comprehensive EMP perspective in entry mode selection.

This study makes four important contributions to the literature. First, EMP theory enlightens the entry mode literature with a novel explanation that imbibes the concepts of entry mode experience and organizational learning underpinned by the theory borrowed from finance. Departing from earlier explanations that largely focus on the isolated influence of one or two facets of mode experience (Nadolska & Barkema, 2007; Erramilli, 1991; Barkema & Vermeulen, 1998; Haleblian, et. al, 2006; Ellis, et. al, 2011; Powell & Rhee, 2013), EMP theory conceptualizes a portfolio or bundle of organizational learning composed of learning derived from distinct attributes of historical mode experience and examines the impact of this portfolio on future mode selection. In response to recent calls to reinvigorate entry mode research through the lens of historical mode decisions, diverse experiences and organizational learning (Brouthers, 2013; Hennart & Slangen, 2015; Shaver, 2013), EMP theory recognizes interdependence among several attributes of prior entry mode experience and determines the mode of entry choice by mitigating risks (lower risk) and extracting synergies (higher return) through collective influence of different learning.

Second, EMP perspective would make an important empirical contribution by providing a solution for inconsistent empirical findings regarding the influence of entry mode experience on future mode selection. The underlying logic of the EMP theory i.e. collective influence of distinct attributes of entry mode experience using a single or composite experience-based construct would yield a unique result. This comprehensive construct overcomes the discordance in empirical findings that stem from several experience and non-

experience-based measures employed in the prior entry mode research (Brouthers & Hennart, 2007). By conceptualizing EMP as aggregated and a holistic representation of organizational learning from distinct attributes of mode experience, I provide an important solution to the issue of divergent empirical findings.

Third, by examining several characteristics of previous mode experience that have rarely been the subject of academic scrutiny, EMP perspective advances the entry mode literature by exploring the learning that evolves function, performance, size and recentness of prior international entries. The traditional entry mode choice explanations draw extensively on specific attributes of mode experience such as frequency, geographical diversity and host country experience (Padmanabhan & Cho, 1996; Delios & Beamish, 1999; Luo, 2001; Hennart, 1991; Nadolska & Barkema, 2007; Vermeulen & Barkema, 2001; Barkema, et. al, 1996; Barkema & Vermeulen, 1998; Erramilli, 1991). The EMP theory takes the cognizance of the organizational learning developed from less considered experience-based facets of historical entry modes and examines their impact on future mode choice.

Fourth, by differentiating the influence of behavioural and cognitive dimensions of organizational learning on entry mode selection, my theorizing enriches the organizational learning literature. In particular, I describe the influence of attributes of entry mode experience either as the change in the institutionalized mechanisms such as routines, structures and strategies i.e. behavioral learning or as a growth of shared understanding and changes in underlying thought processes, interpretation and organizational beliefs i.e. cognitive learning, (Fiol & Lyles, 1985; Leroy & Ramanantsoa, 1997; Lundberg, 1995). Additionally, I categorize cognitive learning as higher-level cognition or lower-level cognition learning. This fine-grained analysis of organizational learning has received little attention in entry mode studies, thereby, EMP perspective elevates understanding regarding

how learning derived from experience influence firm's behaviors.

In conclusion, my study provides an important extension to prior entry mode research that largely explores the isolated impact of the organizational learning derived from one attribute of historical entry mode experience. EMP, that is, aggregation and interaction among distinct learning act as a VRIN resource that enables a strategic mode selection and facilitates firm's competitiveness and performance. Theoretically, this study provides a new dimension to the call issued by Shaver (2013) for the reinvigoration of the entry mode research by engaging in-depth analysis of the collective impact of distinct attributes of historical entry mode experience underpinned by organizational learning.

4. EMPIRICAL PAPER: AN EMPIRICAL INVESTIGATION OF ENTRY MODE PORTFOLIO AND ITS INFLUENCE ON MODE SELECTION

4.1. INTRODUCTION

In the entry mode literature, scholars have placed a great deal of emphasis on prior experience and organizational learning to predict the future entry mode choice (Anderson & Gatignon, 1986; Zhao, et. al, 2004; Johanson & Vahlne, 1977; Aulakh & Kotabe, 1997; Ekeledo & Sivakumar, 2004; Agarwal & Ramaswami, 1992; Brouthers & Hennart, 2007). While these works are build on the basic premise that learning derived from previous entry mode experience influences subsequent choice of an entry mode, they are generally limited to the isolated impact of one or two attributes of historical mode experience namely frequency, geographical diversity and host country experience on mode selection (Nadolska & Barkema, 2007; Padmanabhan & Cho, 1999; Erramilli, 1991; Barkema, et. al, 1996; Hennart, 1991; Haleblian, et. al, 2006).

This is an important issue to be addressed for three primary reasons. First, empirical findings reveal an inconsistent impact of previous entry mode experience on mode of entry choice such as high-control entry modes, low-control modes and even no significant relationship between experience and entry mode choice (Klier, et. al, 2017; Hernandez & Nieto, 2015; Dow & Larimo, 2011; Arslan & Wang, 2015; Larimo & Arslan, 2013; Hennart, et. al, 2015; Brouthers & Hennart, 2007; Ekeledo & Sivakumar, 2004). Second, it is unclear how less researched facets of entry mode experience like performance, function and recentness influence subsequent mode selection (Hennart & Slangen, 2015). Third, we know little about the collective influence of distinct attributes of previous mode experience on entry

mode choice through organizational learning (Hennart & Slangen, 2015; Brouthers & Hennart, 2007). While the need of further entry mode research has been questioned (Shaver, 2013), there have been several calls to explore mode selection based upon previous mode choices, interdependence among entry modes and different attributes of historical mode experience underpinned by organizational learning (Brouthers, 2013; Hennart & Slangen, 2015; Brouthers & Hennart, 2007).

In this paper, I draw upon the concepts of experience and organizational learning to develop a novel perspective known as the Entry Mode Portfolio. This perspective conceptualizes distinct attributes of previous entry mode experience as a collection or a portfolio of experiences known as the Entry Mode Portfolio (EMP). EMP theory examines the impact of the EMP on future mode selection by taking into account the organizational learning facilitated by different attributes of historical mode experience. The attributes of previous entry mode experience considered in the EMP are frequency, function, geographical diversity, host country experience, recentness and general international experience. EMP theory identifies distinct types of organizational learning that evolve from these attributes and examines the combined influence of the learning on mode selection.

In addition, I investigate the impact of prior mode performance on EMP's mode choice decision on the basis of performance feedback approach that suggests the influence of outcomes of previous organizational actions on the employment of subsequent strategies (Haleblian, et. al, 2006; Jordan & Audia, 2012). In particular, a good or strong performance facilitates organizational persistence in existing strategies and routines; however, a poor or bad performance induces an organizational change and analysis of new actions (Haleblian, et. al, 2006; Miller & Chen, 1994; Madsen & Desai, 2010). Haleblian and colleagues (2006) found that higher frequency of acquisitions when accompanied with strong performance of

recent acquisitions increased the likelihood of future acquisitions, however, poor acquisition performance encouraged the firm to deviate from its routine-based persistence of employing acquisitions. Building upon a similar idea, I explore a moderating influence of performance on relationship between EMP and entry mode choice. Specifically, EMP conceptualizes a Performance Portfolio, composed of average and recent performance of prior modes of a specific type. Since frequency of an entry mode is embedded in the EMP and performance of prior modes in performance portfolio, I analyse how performance portfolio modifies the influence of EMP on firm's future mode selection.

This paper contributes to the entry mode literature in three ways: first, by providing a fine-grained conceptual and empirical analysis of the combined influence of distinct attributes of entry mode experience on mode of entry choice; second, by employing a composite experience-based construct that alleviates the inconsistency in empirical findings regarding the influence of attributes of experience on mode selection ; third, by emphasizing the role of less researched characteristics of prior experience including performance, function and recentness in entry mode choice.

4.2. EXPERIENCE & ORGANIZATIONAL LEARNING

Experience and organization learning serve as important constructs in the entry mode literature. A change in organizational knowledge as a function of firm's experience is conceptualized as organizational learning (Argote, 2011). Organizational learning may also be understood as the way organizations understand and manage their experiences (Wang & Ahmed, 2003). Organizations learn by drawing inferences from history and incorporating them into routines (Levitt & March, 1988). The transformation of experience creates knowledge that facilitates learning (Pellegrino & Naughton, 2017). Knowledge acquisition,

information distribution, information interpretation, and organizational memory constitute the key constructs of organizational learning (Huber, 1991).

A central distinction in organizational learning pertains to behavioural and cognitive dimensions of organizational learning. Behavioural dimension assumes organizational learning as the change in a firm's behaviour through new responses to feedback from its environment (Fiol & Lyles, 1985; Leroy & Ramanantsoa, 1997). According to this approach, learning is manifested as the change in institutionalized mechanisms including organizational structures, technologies, routines, search strategies and systems (Lundberg, 1995). In contrast, cognitive development refers to the growth of shared understanding, conceptual schemes and adjustment that influence the interpretation of a firm (Fiol & Lyles, 1985). This approach views learning as the change in information processing, knowledge systems, thought processes, organizational beliefs and interpretation of events (Crossan, et. al, 1995; Leroy & Ramanantsoa, 1997). However, these changes may not be reflected in immediate adjustments in behaviour or organizational performance (Crossan, et. al, 1995; Lundberg, 1995).

The extent of the cognition development is categorized into lower-level and higher-level cognition learning. Lower-level cognition learning or single-loop learning is a focused learning that pertains to adjustment of parameters in organizational structure or development of rudimentary associations of behavior and outcomes (Fiol & Lyles, 1985). This learning is the outcome of repetition of past behavior and is manifested in specific behavioral outcome, level of performance and other element-adjustments in organizations (Romme & Dillen, 1997; Fiol & Lyles, 1985). Higher-level cognition or double loop learning refers to redefining and changing of firm's central norms, assumptions, fundamental rules, cognitive frameworks, interpretive behaviors and frame of references (Romme & Dillen, 1997; Fiol &

Lyles, 1985). This learning takes place through the use of heuristics and skill development and resultant associations have long-term impacts on the entire organization (Fiol & Lyles, 1985).

Essentially, experience through which an organization learns can be internal or external (Bapuji & Crossan, 2004). The internal experience refers to firm's previous actions that facilitate internal learning or experiential learning or simply, learning by doing (Romme & Dillen, 1997; Bapuji & Crossan, 2004). External experience pertains to the experience of other firms that generates external learning (Romme & Dillen, 1997; Bapuji & Crossan, 2004). Prior entry modes constitute firm's internal experience that generates experiential learning and determines subsequent entry mode choice. Firms observe, interpret and reflect on their previous entry modes and deduce implications for future strategies (Ang & Joseph, 1996). While an entry mode represents a strategic action that facilitates organizational learning, a mode of entry choice might be the outcome of that experiential learning (Foil & Lyles, 1985; Padmanabhan & Cho, 1999; Barkema & Vermeulen, 1998; Erramilli, 1991). Taking into account the idea that entry mode strategy and organizational learning tend to reinforce each other, EMP theory focuses on the internal experience acquired by a firm from its historical entry modes and the influence of experiential learning on future mode selection.

4.3. THEORETICAL DEVELOPMENT & HYPOTHESIS

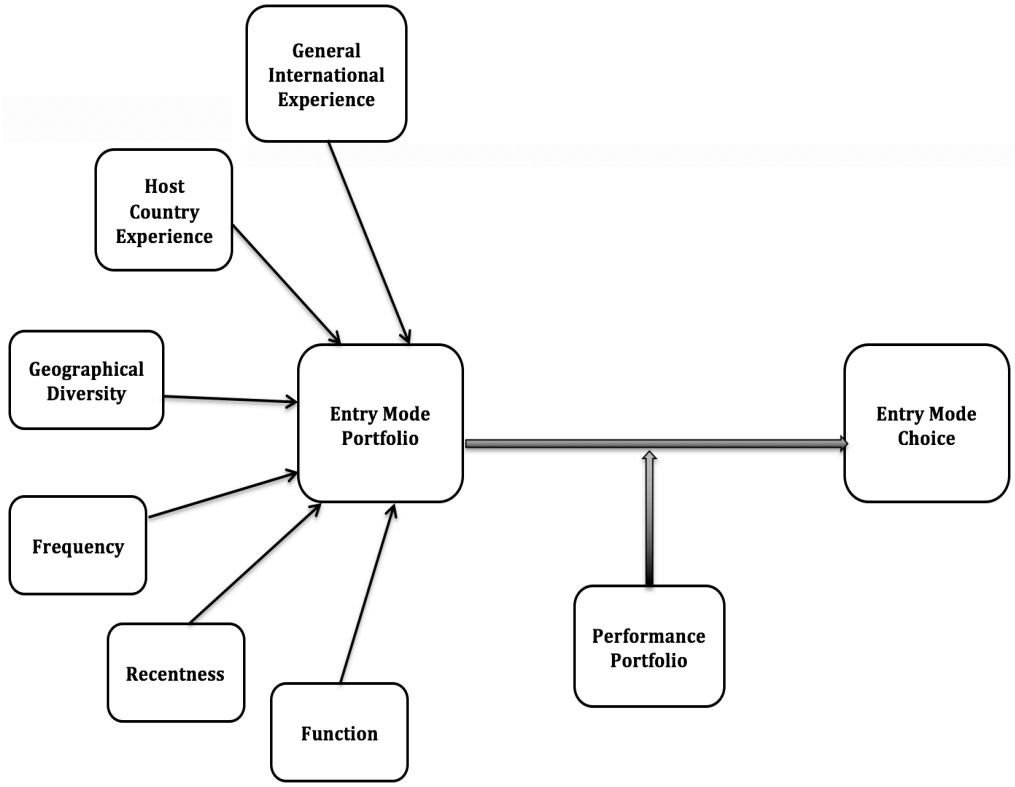
EMP theory first, determines the organizational learning that evolves through various attributes of prior experience and then, examines the collective influence of this learning on subsequent mode choice. For clarity, organizational learning derived from one attribute of prior entry mode experience is labelled as isolated learning. EMP perspective examines the impact of the EMP on mode of entry choice through the combined or aggregated learning

composed of different isolated learning that evolve from the constituents of the EMP (See Figure 3). The collection of different isolated learning is termed as Portfolio Learning. Portfolio Learning may be defined as the lessons learned and knowhow generated through the combined influence of distinct types of experiences associated with firm prior international entries. The EMP theory postulates that EMP generates Portfolio Learning that determines the subsequent entry mode selection i.e. entry mode choice is viewed as the function of the Portfolio Learning.

Essentially, isolated learning derived from distinct attributes of historical mode experience has been the key focus of extant empirical research (Hennart, 1991; Chan & Rosenweig, 2001; Erramilli, 1991; Barkema, et. al, 1996). As such, understanding the influence of isolated learning is of increasing relevance to entry mode scholars as it not only enlightens a firm regarding distinct issues and processes involved in an international entry but also impacts future entry mode choice (Nadolska & Barkema, 2007; Padmanabhan & Cho, 1999; Delios & Beamish, 1999). In particular, isolated learning that evolves from frequency, general international experience and function of prior entries encompasses the knowledge regarding different facets of an establishment of a foreign affiliate including sourcing and utilization of financial, legal, technological resources, recruitment and training, repatriation of dividends, negotiations with host country government and international legal systems (Delios & Henisz, 2003; Padmanabhan & Cho, 1999).

In addition, isolated learning accrued from geographical diversity and host country experience contributes towards institutional knowledge of country of operation including economic and regulatory climate, demand characteristics, rivals and suppliers, cultural dimensions, norms and societal values (Nadolska & Barkema, 2007; Barkema & Vermeulen, 1998; Eriksson, et. al, 1997). EMP theory combines the isolated learning accrued from six

attributes of prior entry mode experience namely i.e. frequency, function, geographical diversity, host country experience, recentness and general international experience into Portfolio Learning and investigates its influence on future entry mode selection decision.



PICTORIAL REPRESENTATION OF EMP THEORY

(Figure 3)

Besides the terminology, EMP perspective employs the mechanism of portfolio theory of finance in entry mode choice. Portfolio theory suggests that the overall risk of a portfolio can be reduced through diversification of investments (Brealey, et. al, 2011; Berk & DeMarzo, 2011). The varying magnitude and direction of firm-specific risks in each investment nullify each other and assists in reducing the level of risk of overall portfolio

(Brealey, et. al, 2011; Berk & DeMarzo, 2011). In consistence with the rationale of portfolio theory, I, in the EMP perspective, suggest that Portfolio Learning assists in alleviating risks associated in mode choice decisions by overcoming limitations of the learning derived from one attribute with the isolated learning derived from other constituents of the EMP. Specifically, I suggest an interplay among different isolated learning overcomes implications of inertia, momentum, superstitious learning, application errors and availability heuristics on mode selection. Isolated learning derived from one constituent of EMP mitigates limitations of learning derived from other attribute and therefore, assists in making a qualified and informed entry mode choice.

4.3.1. ENTRY MODE PORTFOLIO & MODE CHOICE

Grounding my theoretical development on the EMP perspective, I develop a WOS Experience Portfolio for firm's prior international entries via WOSs and a JV Experience Portfolio for previous international entries through JVs. The WOS Experience Portfolio can be defined as a collection of diverse attributes of prior WOS-specific entry mode experience namely Frequency WOS, Geographical Diversity WOS, Function WOS, Host Country Experience WOS and General International Experience WOS. Likewise, JV Experience Portfolio is composed of six attributes of previous international JV-specific experience namely Frequency JV, Geographical Diversity JV, Function JV, Host Country Experience JV and General International Experience JV. In subsequent explanation, I will use WOS (JV) Experience Portfolio to represent both WOS Experience Portfolio and JV Experience Portfolio.

The EMP theory postulates that WOS (JV) Experience Portfolio generates WOS (JV) Portfolio Learning that determines subsequent entry mode selection. WOS (JV) Portfolio Learning is the aggregated learning derived from individual learning facilitated by different

constituents of portfolio i.e. attributes of previous WOS (JV)-specific entry mode experience. Therefore, WOS (JV) Portfolio Learning may be defined as the lessons learned and know-how generated through the combined influence of all distinct types of experiences associated with firm's prior WOS entries. Simply stated, WOS (JV) Portfolio Learning results from the combined influence of different types of isolated learning generated from distinct attributes of historical WOS entry mode experience.

According to EMP perspective, WOS (JV) Portfolio Learning mitigates risks and vulnerabilities associated with mode choice decisions. Typical risks include inappropriate selection of an entry mode due to effects of organizational inertia, superstitious learning, application errors, learning myopia and specificity of location specific advantages associated with isolated learning that evolves from one attribute of prior mode experience (Shimizu & Hitt, 2005; Miller & Friesen, 1980; Levinthal & March, 1993, March & Olsen, 1975; Zeng, et. al, 2013). The interaction among diverse isolated learning in WOS (JV) Portfolio Learning prevents their dysfunctional impact on entry mode selection.

In particular, I suggest that the isolated learning derived from a Geographical Diversity WOS (JV) acts as a panacea for organizational inertia and application errors that stem from a Frequency WOS (JV) and Host Country Experience WOS (JV) respectively. Essentially, the scope of firm's experiential knowledge broadens with geographical spread or diversity of nations (Perkins, 2014). As the extent of their search increases, firms are more aware of alternatives and perform a better evaluation of potential future expansions (Perkins, 2014). A firm attains greater strategic flexibility that elevates its confidence and resilience to experiment new strategies rather than employing prior successful modes (Brouthers, et. al, 2008). Hence, firms depart from their status quo or standardized solutions and experiment with novel strategies and mitigate the risks of inertia and repetitive momentum associated

with Frequency WOS (JV).

Geographical Diversity WOS (JV) i.e. experience with numerous cultural values, practices and management styles enables the firm to overcome its pre-developed cognitive structures and mental maps while interpreting causal connections (Zeng, et. al, 2013). Prior operational experience in diverse cultural clusters enhances firm's learning regarding the type, location and processes to acquire the institutional knowledge in new host country (Chetty, Eriksson & Lindbergh, 2006). The enhanced knowledge repertoires developed through Geographical Diversity WOS (JV) (Barkema & Vermeulen, 1998; Zahra, et. al, 2000; Powell & Rhee, 2013) enable firms to carefully alter and apply country-specific knowledge. Therefore, Geographical Diversity WOS (JV) mitigates limitations of Host Country Experience WOS (JV) such as location-bound advantages, application errors and negative transfer of experience.

On the flip side, Host Country Experience WOS (JV) plays an important role in overcoming the limitations of isolated learning that evolves from a Geographical Diversity WOS (JV). A firm experienced in an institutional environment similar to that of the target host country possesses a greater understanding of business codes, regulatory rules, and practices in the host nation and, thus, is better able to predict institutional conditions in target country (Perkins, 2014). In particular, experience in a given culture was found less likely to deter firm's FDI entry in a country that lies in the same cultural block and has an uncertain public policy environment (Delios & Henisz, 2003). The learning accrued from prior investments hones the firm's ability to manage high policy uncertainty and depresses its sensitivity and uncertainty towards political hazards in a host country that is culturally similar to previous countries of operation (Delios & Henisz, 2003). Therefore, similar institutional environments or facets could enable the firm to effectively scan, process and analyse location-

specific information and apply the same in new contexts or countries while overcoming the perils of counterfactual learning and excessive information that evolves from Geographical Diversity WOS (JV).

Likewise, the isolated learning that evolves from General International Experience WOS (JV) alleviate the drawbacks of learning associated with Host Country Experience WOS (JV), Geographical Diversity WOS (JV) and Recentness WOS (JV). Essentially, General International Experience WOS (JV) elevates firm's understanding and market sensing capabilities to understand the unique characteristics of foreign market (Mutinelli & Piscitello, 1998; Arslan & Larimo, 2010). As a firm accumulates greater General International Experience WOS (JV), it matures and develops a greater competence critical for foreign operations (Gatignon & Anderson, 1988; Mutinelli & Piscitello, 1998). This General International Experience WOS (JV)-specific isolated learning or maturity enables the firm to draw only relevant inferences from distinct national settings and engage in a cautious application according to extent of similarity between new context and prior institutional environment, thereby, reducing the superstitious learning and application errors that stem from Geographical Diversity WOS (JV) and Host Country Experience WOS (JV) respectively. Additionally, firm's maturity or greater sense of understanding neutralizes implications of availability heuristics that directs the firm's attention only towards recent events and, therefore, restricts alternatives in strategic decisions and facilitates unqualified discussions (Meschi & Metais, 2013; Schwenk, 1988).

Interestingly, the interplay between isolated learning derived from General International Experience WOS (JV) and Recentness WOS (JV) has an additional facet. While a seasoned firm may not be severely affected due to lack of time in case of recently established entry modes and therefore, draw valuable insights even from a recent mode

experience or Recentness WOS (JV), the underlying mechanism of recentness i.e. decay and disuse of information as well as availability heuristics keeps the firm at bay from obsolete strategies, norms or status quo facilitated by inertial pressures that stem from General International Experience WOS (JV) (Meschi & Metais, 2013; Schwenk, 1988). Therefore, the interaction between isolated learning derived from General International Experience WOS (JV) and recentness WOS (JV) safeguards a firm from the perils of inertia and recent experience.

In addition, the significance of the recent experience may be undermined owing to several factors. Particularly, adequate time for memorizing, encoding and analysing integration practices does not exist and therefore, development of acquisition management competence does not take place (Meschi & Metais, 2013). According to the EMP theory, learning derived from a Frequency WOS (JV) could acts as a prescription for these limitations. Frequency WOS (JV) enriches the knowledge base of a firm and creates novel and productive repertoires, while inducing the firm to leverage these routines and enhance the efficiency of subsequent mode establishment (Padmanabhan & Cho, 1999; Nadolska & Barkema, 2007). The learning derived from the frequency of recently established entry modes could enable the firm to extract and analyse inferences and encode them into routines and practices, which deepens the firm's understanding developed from recent modes. Hence, the knowhow generated from a Frequency WOS (JV) overcomes the limitations of Recentness WOS (JV) of entry mode experience.

Further, the isolated learning associated with the Function WOS (JV) attribute has the potential to mitigate the disadvantages of learning derived from Host Country Experience WOS (JV). Operations of different business functions endow the firm with country-specific or institutional knowledge of the host country. Sales and distribution function provides the

information about country risks, labour disputes, political and economic instability that helps the firm to accurately assess risks and uncertainty in the host nation (Morschett, et. al, 2008). In particular, the distribution function through its marketing interface aids in the formation of linkages between a firm and its consumers, thereby, allowing firms to understand cultural patterns, market structure and attributes of customer firms (Delios & Henisz, 2003).

Additionally, R&D FDIs enhances the firm's proximity with clients and effectiveness in customization of products according to the demands of local markets (Bonetti & Masiello, 2014). A firm, thus, forms realistic inferences regarding expectations and attitudes of business counterparts and customers and develops a greater sense of understanding regarding intercultural differences (Morschett, et. al, 2008). Therefore, Function WOS (JV) domain of an entry mode exerts a multifaceted impact on firm's knowledge regarding institutional frameworks and reduces the likelihood of unqualified generalizability of country-specific knowledge to dissimilar contexts.

Overall, the pooling of diverse attributes of entry mode experience in a WOS (JV) Experience Portfolio generates a WOS (JV) Portfolio Learning i.e. broader and heterogeneous knowledge that facilitates a strategic mode selection through interaction among isolated learning (Vermeulen & Barkema, 2001). In particular, organizations learn by drawing inferences from history and incorporating them into routines i.e. rules, procedures, conventions, strategies, technologies, structure of beliefs, frameworks, paradigms, codes and cultures (Levitt & March, 1988). As organizational routines evolve from organizational experience (Levitt & March, 1988), it is plausible to expect that inferences drawn from WOS(JV) Experience portfolio, that is, WOS(JV) Portfolio Learning will be transformed into systematic knowledge either through simplification or specialization, followed by its assimilation into organizational memory and finally incorporation into organization routines

and practices (Levinthal & March, 1993). In other words, WOS (JV) Experience Portfolio and consequently WOS (JV) Portfolio Learning leads to development of routines or capabilities that overcome the limitations of isolated learning and imbibe the firm with skill to interpret contingencies, mitigate risks and increase viability of WOSs.

Building upon the idea of experiential learning or learning by doing, it can be understood that as a firm acquires a greater WOS (JV) experience portfolio and therefore, develops a rich and broad WOS (JV) Portfolio Learning, its ability to learn and apply the inferences from WOS (JV) Portfolio Learning in turn increases (Huber, 1991). Therefore, a greater WOS (JV) Portfolio Learning will not only enhance its understanding and proficiency of its application but also develop creative solutions and problem-solving ideas to overcome the vulnerabilities in entry mode selection decision. These ideas lead me to propose that as WOS (JV) Portfolio Learning gets embedded in routines and practices, organizations are more likely to leverage this knowledge by establishing WOS (JV) as entry mode structures in future international endeavours.

Since returns of exploitation strategy are positive and predictable, firms in possession of WOS (JV) Portfolio Learning are more likely to leverage this knowledge to mitigate risks and uncertainty associated with a WOS (JV) entry (March, 1991). Overall, I expect that a greater WOS (JV) Portfolio Experience will increase the probability of an international entry via a WOS (JV).

Hypothesis 1: The greater a firm's WOS (JV) experience portfolio, the greater the likelihood that a firm will establish a WOS (JV) in a subsequent foreign entry.

4.3.2. THE MODERATING EFFECT OF PERFORMANCE

An organization discerns its effectiveness in accomplishing its goals and objectives or stakeholder's requirements through performance monitoring (Huber, 1991). The performance or outcome of previous actions generates feedback and organizational routines interpret and adapt to that feedback incrementally (Levitt & March, 1988). A firm's response to the outcomes of prior behaviours differs with respect to the nature of that outcome.

While a positive outcome or a strong performance facilitates repetitiveness of successful organizational actions owing to increase in firm's confidence in its knowledge and skills, organizational momentum and a lower risk in subsequent employment (Starbuck & Hedberg, 2003; Levinthal & March, 1993; Levitt & March, 1988), a negative result or a poor performance induces the firm to abandon the existing status quo and search novel strategies, while engaging in cause-and-effect analysis to replace existing routines and knowledge with more useful and accurate ones (Madsen & Desai, 2010; Leroy & Ramanantsoa, 1997; Khanna, Guler & Nerkar, 2016).

Employing a similar idea in the context of entry modes, performance feedback generated from performance of previous modes could play a significant role in the selection of subsequent entry mode. Empirically, Haleblian and colleagues (2006) found out that performance feedback garnered from success or failure of recent acquisitions interacts with learning derived from higher frequency of acquisitions. In particular, influence of acquisition frequency on firm's propensity to acquire was reinforced by positive performance feedback facilitated by successful acquisitions, however, negative feedback that stems from failed acquisitions depreciated the legitimacy of acquisitions-related routines and propelled the search for new strategies (Haleblian, et. al, 2006).

In line with the performance feedback approach and Haleblian et. al (2006) study, I suggest that feedback generated from performance of previous entry modes moderates the influence of organizational learning derived from the EMP on mode of entry choice. I conceptualize a WOS (JV) Performance Portfolio composed of the average and recent performances of historical WOSs (JV). Specifically, I propose that performance feedback that evolves from WOS (JV) Performance Portfolio interacts with WOS (JV) Portfolio Learning associated with WOS (JV) Experience Portfolio and modifies its influence on the choice of foreign entry structure.

More specifically, I suggest that the influence on WOS (JV) Portfolio Learning on the employment of WOS (JV) as next mode choice is reinforced when accompanied with a positive performance feedback accrued from a greater level of WOS (JV) Performance Portfolio or successful WOSs (JVs). Essentially, organizational success encourages a firm to follow the same trajectory and employ the same solutions, while limiting the search of novel ideas and information to the neighborhood of the existing knowledge (Khanna, et. al, 2016; Bapuji & Crossan, 2004). Routines associated with successful outcomes are likely to be frequently employed in contrast to those that fail to achieve targets (Levitt & March, 1988). In entry mode context, prior acquisition success facilitates the likelihood of future acquisitions by endowing the firm with self-assurance regarding the possession of appropriate capabilities for success of acquisitions (Haleblian, et. al, 2006).

In the similar way, stronger WOS (JV) performance as reflected in greater levels of WOS (JV) Performance Portfolio would imply the effectiveness of WOS (JV)-specific routines and enhance the confidence of the decision makers regarding WOS (JV) as the strategic choice (Haleblian, et. al, 2006). Under the effect of inertial pressures or momentum, an unreflective and automatic mechanism takes place that causes the firm to elaborate their

prior success strategies and employ WOSs (JVs) as the next foreign entry structure (Starbuck & Hedberg, 2003; Miller & Friesen, 1980).

Additionally, as described in first hypothesis, a greater WOS (JV) Experience Portfolio refines existing routines and competencies associated with WOS (JV) selection and implementation, thereby, increasing the likelihood of adoption of WOSs (JVs) in the future. While WOS (JV) Portfolio Learning refines firm's skills and capabilities for a WOS (JV) selection, a higher level of WOS (JV) Performance Portfolio or positive performance feedback endorses firm's belief regarding the development of appropriate competencies for successful implementation of a WOS (JV). Overall, the combined effect of WOS (JV) Portfolio Learning and greater WOS (JV) Performance Portfolio leads to organizational persistence and drives the firm to repeat its prior behavior; thereby, enhancing the likelihood that firm will adopt a WOS (JV) as the subsequent entry mode choice.

In contrast, a lower WOS (JV) Performance Portfolio weakens the persistent employment of WOSs (JVs) that stems from a greater WOS Experience Portfolio and consequently richer WOS (JV) Portfolio Learning. Essentially, a failure assists the firm in recognizing the existence of a knowledge gap and actualizing knowledge developmental efforts that alter established organizational structures and practices (Madsen & Desai, 2010). Managers undertake remedial strategies and problem-driven search that identifies the underlying problem and provides information for corrective actions (Miller & Chen, 1994).

In the similar way, poor performance of previous WOSs (JVs) reflected in lower levels WOS (JV) Performance Portfolio will generate a negative feedback that drives the decision makers to review the legitimacy of WOS (JV)-specific routines and associated experiential lessons (Haleblian, et. al, 2006). In other words, managers will engage in problemistic search that attempts to identify alternatives to current strategies in order to

overcome performance shortfalls (Ref & Shapira, 2017). Specifically, lower level of WOS (JV) Performance Portfolio will induce the firm to engage in a causal analysis, modify or abandon the existing WOS (JV)-specific routines and assess the appropriateness of WOS (JV) as the entry mode choice (Khanna, et. al, 2016). Routines associated with failures are less likely to be frequently employed and negative performance feedback leads to a change in scope and direction of organizational strategies, thereby, making a firm less likely to choose a WOS (JV) (Levitt & March, 1988; Khanna, et. al, 2016). Regardless of the creation of effective routines and capabilities for a WOS (JV) entry that evolve from WOS (JV) Experience Portfolio and a rich WOS (JV) Portfolio Learning, firms tend to deviate from WOSs (JVs) under the influence of lower level of WOS (JV) Performance Portfolio.

Taking the above arguments together, I propose that performance feedback garnered from WOS (JV) Performance Portfolio will moderate the influence of WOS (JV) Portfolio Learning associated with WOS (JV) Experience Portfolio on the entry mode selection. Specifically, higher levels of WOS (JV) Performance Portfolio through positive performance feedback will strengthen the effect of WOS (JV) Portfolio Learning on selection of a WOS (JV) as entry mode, while lower level of WOS (JV) Performance Portfolio as reflected in negative feedback will cause the firm to deviate from its persistent employment of a WOS (JV) under the influence of WOS(JV) Portfolio Learning.

Hypothesis 2. The positive effect of WOS (JV) Experience Portfolio on the likelihood of firm's subsequent WOS (JV) selection will be stronger at higher levels of WOS (JV) Performance Portfolio and weaker at lower levels of WOS (JV) Performance Portfolio.

4.4. RESEARCH METHODOLOGY

In order to test the hypotheses generated by the Entry Mode Portfolio (EMP) theory, a sample of European firms was utilized. In particular, firms that are incorporated under the law of 28 European nations (Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and UK) were selected for this study.

The sample and the overall information about firms were drawn from the ORBIS database. ORBIS is an online global company database that contains information regarding contacts, financial accounts and corporate structure of over 120 million public and private companies around the world. ORBIS has a broad coverage as it holds the corporate information and financial data about parent companies as well as their foreign subsidiaries. Data collection took place in early 2016. Using the ORBIS database, a selection of 500 largest companies in the European region was made on the basis of the annual sales that are consistent over the years. In particular, annual sales for 2015, the most recently reported financial year was utilised. Of the sample, firms that had at least 10 foreign subsidiaries were selected for testing the EMP theory.

There are several reasons that underpin the choice of European firms and selection criteria i.e. a minimum number of foreign subsidiaries. First, European firms particularly Dutch and Greek firms are characterized by long history of international investments (Brouthers & Nakos, 2004), thereby, providing significant information regarding prior foreign entries that forms the key interest of this research. Second, given the international scope of European firms, a wide variance in host and home countries' institutional environments can

be leveraged to analyze the influence of attributes of historical mode experience specifically frequency, geographical diversity, host country experience and general international experience (Brouthers, et. al, 2008).

A final reason for using European firms is that these firms are engaged in diverse industries including oil and gas field exploration, mining and quarrying, holding offices, finance and insurance activities, credit unions, cooperative banks, transportation, warehouse and storage, telecommunications carriers, public relations, management and consultant services, construction and advertising agencies. The diversity in industrial sector provides an opportunity to fulfill one of the critical objectives of the EMP theory i.e. to explore an under researched domain concerning the impact of the function of prior entry modes on future mode selection. Hence, given the need to examine the past international proclivity of firms, European firms generated a rich historical data regarding foreign entries that enhances the quality of repository of experience and captures pertinent values for several components of the EMP theory. Thereby, facilitating appropriate operationalization of variables, and validity and reliability of results derived from the testing of the EMP theory.

This selection procedure yielded 496 foreign entries by 389 firms from 17 distinct home countries. In particular, foreign affiliates were established in 71 different countries with Great Britain receiving more than 20 per cent of the investments, followed by Germany and France securing more than 18 per cent of the foreign entries. Additionally, Great Britain, France, Germany and Netherlands served as the key home countries for more than 20, 19, 16 and 10 per cent of the parent firms respectively. Around 20 per cent of the firms originated from Spain, Ireland, Italy and Sweden. In order to control the influence of the national origin of firms on the choice of an entry mode, countries dummies specific to these home countries namely Great Britain, France, Germany, Netherlands, Spain, Ireland, Italy, Netherlands and

Sweden were employed in the analysis.

Missing data, mainly regarding firm employees, host country experience, functional domain and size of prior entries, caused a loss of 54.2 per cent of the observations and reduced the sample to 227 complete observations with 204 as the total number of distinct firms. These 204 firms had an average size of 89737 employees and operating revenue of 31.6 billion USD. On average, they had international experience of 85 years and 116 international establishments including WOS and JVs. In particular, the firms originated from 17 countries and had foreign establishments in 40 distinct host countries with number of foreign entries undertaken by each firm varying from 1 to 3. Netherlands, Romania, and United Kingdom were the key host countries receiving more than 15 per cent, 11 per cent and 9 per cent of foreign entries respectively. Of the 204 firms, 25 per cent had their origins in Germany, while France and Great Britain were home to more than 19 and 15 per cent of the firms respectively.

Overall, the usable data set comprised of 227 observations of which 137 firms used 147 wholly-owned subsidiaries, 75 firms employed 80 joint ventures for their foreign operations. In particular, 8 firms employed both wholly-owned subsidiaries and joint ventures in the latest year of entry. While these firms were around 94 years old, the average of number of employees and operation revenue was around 74755 and 32.4 billion USD respectively. The number of WOS and JV established by these firms ranged from 7 to 1129 and from 29 to 424 respectively. In addition, the geographical distribution of international establishments varied from 1 to 125 countries. On average, these had international experience of 130 years with 225 number of international affiliates including WOS and JVs.

4.4.1. DEPENDENT VARIABLE

The dependent variable used in this research was the most recent mode of entry used by each firm. This variable consisted of two types of entry modes namely wholly-owned subsidiaries or joint ventures. Non-equity modes including license agreements, franchising, and exporting were dropped from the analysis due to their lack of information in the ORBIS database. Though some scholars suggest that dichotomous conceptualization of entry modes into equity and non-equity modes brings forth the potential significance of several determinants of entry mode choice (Brouthers & Nakos, 2004; Pan & Tse, 2000), the use of wholly-owned subsidiaries and joint ventures is consistent with prior entry mode studies (Brouthers, 2002; Makino & Neupert, 2000; Padmanabhan & Cho, 1996). Essentially, a review on entry mode research suggests that the selection between WOSs and JVs is the most commonly explored entry mode choice (Brouthers & Hennart, 2007). Therefore, a similar categorization of entry modes was employed for testing the EMP theory.

Following previous studies on entry mode choice, mode types were categorized as WOSs and JVs on the basis of the percentage of the equity held by the firm in the subsidiary (Makino & Neupert, 2000; Chen & Hennart, 2002; Arslan & Larimo, 2010; Hennart, 1991; Hennart, et. al, 2015). The information regarding firm's percentage of ownership was obtained from the ORBIS database. In particular, when a firm owned more than ninety-five percent of the equity, the subsidiary was classified as a wholly-owned (95% or more ownership). However, if the ownership of the firm varied from five percent to less than ninety-five percent, the foreign affiliate was categorized as a joint venture (>=5% to <95%). The dependent variable was termed as Latest Entry Mode and was coded one (1) for wholly-owned subsidiaries and zero (0) for joint ventures.

4.4.2. INDEPENDENT VARIABLES

The independent variables used in this study are the components of the EMP theory i.e. attributes of the historical entry mode experience that facilitate organizational learning and influence the firm's subsequent entry mode choice. The operationalization of independent variables was carried out for wholly-owned subsidiaries and joint ventures separately. In particular, these included Frequency WOS, Frequency JV, Geographical Diversity WOS, Geographical Diversity JV, Average Performance WOS, Average performance JV, Recent Performance WOS, Recent performance JV, Function WOS, Function JV, Host Country Experience WOS, Host Country Experience JV, General International Experience WOS, General International Experience JV, Recentness WOS and Recentness JV. In the later part of the analysis, we will explore how these variables can be aggregated.

4.4.2.1. FREQUENCY

Frequency represents the total number of times a firm has used a specific mode of entry for its internationalization prior to the latest mode. For the purpose of this study, Frequency WOS variable was computed by summing the total number of preceding WOSs established by a parent firm outside its home country prior to its most recent entry. Likewise, Frequency JV variable was computed by summing the total number of historical JVs made by a parent firm outside its home country prior to its most recent entry. This operationalization of frequency is in accordance with previous research that calculates frequency as a count measure i.e. the total number of times an entry mode has been employed by a firm in its foreign expansion (Klier, et. al, 2017; Arslan & Wang, 2015; Collins, et. al, 2009; Arslan & Larimo, 2011; Tahir & Larimo, 2004; Haleblian, et. al, 2006; Vermeulen & Barkema, 2001; Nadolska & Barkema, 2007; Larimo & Arslan, 2013).

Alternatively, Padmanabhan and Cho (1999) computed a composite measure known as the total count-years by combining the number of foreign affiliates with length of time of their operations. Since the EMP theory captures the length of operations (years) of foreign affiliates in additional components or experience-related characteristics such as host country experience and general international experience, operationalizing frequency attribute as a count measure for each mode type was considered as the most appropriate.

4.4.2.2. HOST COUNTRY EXPERIENCE

The second explanatory variable in the EMP theory is the host country experience that measures the organizational learning accumulated by a firm through its operations or investment activities in a specific country outside its home country. Previous scholarship has computed host country experience in several ways. A commonly employed operationalization of country-specific experience is the frequency-based measurement i.e. the number of previous entries or expansions carried out by a firm within a particular host country (Gomes–Casserus, 1989; Powell & Rhee; 2013; Barkema, et. al, 1996; Casillas & Moreno-Menéndez, 2014; Collins, et. al, 2009; Elango, et. al, 2013).

Past studies of entry mode choice also tend to compute country-specific experience by summing the number of years of firm's experience in the host country i.e. the total number of years since the firm has established its first subsidiary within a particular country (Klier, et. al, 2017; Yiu & Makino, 2002; Arslan & Wang, 2015; Hennart, 1991; Delios & Beamish, 1999; Padmanabhan & Cho, 1996; Arslan & Larimo, 2011; Larimo & Arslan, 2013). Alternatively, Delios and Henisz (2000) measured host country experience by combining the frequency and years of operations of each subsidiary in the host country to determine the number of subsidiary years (Delios & Henisz, 2000). In a similar fashion, Luo (2001)

utilized the average of number of projects and years of experience as a proxy for country-specific experience.

As stated earlier, the EMP theory analyses the influence of the frequency of historical entry modes through its frequency component. Therefore, the use of the frequency-based measure either in its pure form or bundled with the years of operations in a composite construct would have caused overlapping. In other words, double count of frequency variable would have taken place that could distort findings. Consistent with past studies, I employed the measure adopted by Klier, et. al (2017), Arslan and Larimo (2011), Yiu and Makino (2002), Larimo and Arslan (2013), Hennart (1991) and Delios and Beamish (1999) i.e. the length of time in years of firm's investment activity in a specific host country.

In particular, I computed the total number of years of operations of a parent firm in the country of the most recent entry. For the purpose of this study, two host country experience variables i.e. Host Country Experience WOS and Host Country Experience JV were calculated. The date of incorporation of foreign affiliates was sourced from the ORBIS database. In particular, Host Country Experience WOS was computed as the length of the time (in years) from the year of incorporation of the firm's first WOS in the country of the firm's most recent entry till the year of establishment that recent entry. Likewise, Host Country Experience JV was computed as the length of the time (in years) from the year of incorporation of the firm's first JV in the country of the firm's most recent entry till the year of establishment that recent entry.

4.4.2.3. GENERAL INTERNATIONAL EXPERIENCE

General International Experience represents maturity, confidence and competence acquired by a firm from its cross-border activities (Anderson & Gatignon, 1986; Mutinelli & Piscitello,

1998). In other words, general international experience is the overall business exposure that a firm accrues from its global operations i.e. beyond a particular host country (Padmanabhan & Cho, 1999). Besides facilitating knowledge and mitigating the uncertainty about overseas operations (Mutinelli & Piscitello, 1998), general international experience aids in the development of firm-specific knowledge regarding the organization and management of routines, procedures and structures in an international context (Eriksson, et. al, 1997).

Given the consequential role that general international experience plays in organizational learning, it has been employed as a key attribute in major theoretical perspectives. While Dunning's OLI paradigm conceptualizes general international experience as an ownership advantage (Nakos & Brouthers, 2002; Agarwal & Ramaswami, 1992), RBV views general international experience as a unique, valuable, scarce, and hard to imitate resource that facilitates competitive advantage (Chiao, Lo & Yu, 2010). Additionally, the TCE perspective suggests that general international experience alleviates internal uncertainty experienced by a firm in its international investment activities (Anderson & Gatignon, 1986).

The distinct conceptualizations of general international experience are also reflected in diverse proxies employed for its operationalization. A group of studies measure general international experience through the number of years since firm's operations outside its home country prior to current entry (Blomstermo, et. al, 2006; Nakos & Brouthers, 2002; Mutinelli & Piscitello, 1998). Few others employ export ratio (Brouthers & Brouthers, 2000), number of FDIs (Arslan & Larimo, 2010) and number of foreign entries (Gatignon & Anderson, 1988). Departing from single component measures, scholars including Delios and Beamish (1999), Chiao, et. al (2010), Agarwal and Ramaswami (1992), and Maekelburger, et. al, (2012) devise composite measures consisting of two or more items.

Along the lines of Blomstermo, et. al (2006), Nakos and Brouthers (2002) and

Mutinelli and Piscitello (1998), I measured general international experience through two variables namely General International Experience WOS and General International Experience JV. Specifically, General International Experience WOS was computed by summing the number of years since the establishment of firm's first international WOS prior to the year of the most recent international entry. Likewise, General International Experience JV was calculated by counting the total number of years since the establishment of the firm's first international JV prior to the year of the most recent international entry. The date of establishment or incorporation of foreign affiliates was sourced from the ORBIS database.

This selection of the general international experience measure is based upon two key reasons. First, in the EMP theory, general international experience contributes towards holistic learning that a firm accrues from its historical entry mode experience i.e. from its early equity internationalization stage to subsequent cross-border engagements. Employing the length of the years of firm's international WOS and JV operations as a general international experience's proxy provides an opportunity to capture the learning derived from the firm's cumulative international investment exposure i.e. essentially the function of the general international experience component in the EMP theory. Second, other measures such as number of FDIs (Arslan & Larimo, 2010) and number of foreign entries (Gatignon & Anderson, 1988) were already taken into account in frequency component. Employing them again could lead to repetitiveness and overlapping of constructs. Additionally, export ratio i.e. the ratio of foreign sales to overall sales is largely indicative of firm's trade activity (Delios & Beamish, 1999). In sum, general international experience's representation through general international experience WOS and general international experience JV was utilised to the test the hypothesis generated by the EMP theory.

4.4.2.4. FUNCTION

Function, as an attribute of the EMP theory, refers to the functional domains of previous international entry modes of a firm. The EMP perspective incorporates the organizational learning derived from three functional areas of prior modes in the overall portfolio of organizational learning and determines the influence of this portfolio on the next mode of entry choice. Given the paucity of the studies that control for the function of foreign subsidiaries in entry mode literature, the operationalization of functional experience is rare. While few studies simply differentiate between a manufacturing and a non-manufacturing business (Yiu & Makino, 2002; Brouthers & Brouthers, 2003; Tatoglu & Glaister, 1998), others measure functional experience through the length of years of firm's operation in a specific function (Delios & Henisz, 2003) and ratio of sales in a specific region to total sales (Chan & Rosenzweig, 2001). Among these, the measure such as length of the years of firm's experience is captured in additional components of the EMP theory i.e. host country experience and general international experience.

The EMP theory is concerned with distinct kinds of learning that evolve from different functions, therefore, the knowledge about the functional domain of historical entry modes was suffice to operationalize the function component. The ORBIS database contains the North American Industry Classification System (NAICS) 2012 Core Codes and their corresponding description regarding each foreign affiliate of a firm, thereby, providing exact information regarding the business function executed by each foreign subsidiary including the firm's latest entry. Therefore, two functional variables namely Function WOS and Function JV were computed. In particular, the first digit of NAICS 2012 Core Code of the latest entry was determined. Following that, Function WOS calculated by counting the number of firm's international WOSs with the same first digit of NAICS 2012 Core Code as that of the firm

most recent entry mode. Likewise, Function JV calculated by counting the number of firm's international JVs with the same first digit of NAICS 2012 Core Code as that of the firm most recent entry mode.

4.4.2.5. GEOGRAPHICAL DIVERSITY

In the EMP theory, geographical diversity refers to the number of different countries in which a firm operates its business functions i.e. distinct national settings outside firm's home country. The IB literature has studied the geographical attribute of entry mode experience under several names including multinational diversity (Barkema & Vermeulen, 1998), international diversification (Capar & Kotabe, 2003), geographic scope or spread (Erramilli, 1991), multinationality (Kogut & Singh, 1988; Gomes & Ramaswamy, 1999) and geographic dispersion (Zeng, et. al, 2013). Likewise, empirical studies have engaged in distinct measures of geographical diversity of firm's experience.

The most commonly employed measures are the number of foreign countries in which a firm is active or has subsidiaries (Dow & Larimo, 2011; Tsang & Yamanoi, 2016; Klier, et. al, 2017; Barkema & Vermeulen, 1998; Kogut & Singh, 1988; Vermeulen & Barkema, 2001; Tallman & Li, 1996), Herfindahl index or its modified form (Lu & Beamish, 2001; Casillas & Moreno-Menéndez, 2014; Zeng, et. al, 2013), ratio of foreign sales to total sales (Capar & Kotabe, 2003; Tallman & Li, 1996) and ratio of foreign assets to total assets (Gomes & Ramaswamy, 1999).

For the present study, consistent with traditional measurement (Barkema & Vermeulen, 1998; Kogut & Singh, 1988; Vermeulen & Barkema, 2001; Tallman & Li, 1996), I calculated geographical diversity by counting the number of distinct countries in which a firm has established WOSs and JVs separately prior to the most recent international entry. In

contrast to the overall geographical diversity of prior entry modes, a more streamlined measure that is specific for mode type i.e. WOSs and JVs was computed as Geographical Diversity WOS and Geographical Diversity JV respectively. While Geographical Diversity WOS was calculated by summing the number of different countries in which a firm has established WOSs outside its home country prior to its latest foreign entry, Geographical Diversity JV was determined by counting the number of distinct countries in which a firm has established JVs outside its home country prior to its most recent international entry. This computation of geographical diversity forms a pertinent and a useful representation as this construct captures the diversity of countries for each type of modes.

The effectiveness of this measure has been questioned by few scholars who suggest the use of multidimensional measures (Capar & Kotabe; 2003; Gomes & Ramaswamy, 1999) as well as emphasize that their way of measurement of geographic diversity through subjective responses is superior than count measure (Erramilli, 1991). There are several reasons that justify my selection of the count-measure.

First, Gomes and Ramaswamy (1999) suggest that measure such as ratios of foreign sales to total sales and foreign assets to total assets represent the dependence of sales revenue on foreign operations and firm's reliance on foreign production respectively. Therefore, the objective of capturing geographical diversity of entry modes through these proxies was undermined. Second, export ratio i.e. foreign sales to total sales has been employed by Delios and Beamish (1999) to measure the firm's general international experience. Since general international experience constitutes an individual component of the EMP theory, utilizing export-ratio may lead to overlap or double count of general international experience variable. Third, few authors emphasize on usage of single-item measures for international diversification (Capar & Kotabe, 2003) as well as point out that the count of countries not

only reflects geographic scope but also firm's multinationality, international diversification and dispersion attribute (Zeng, et. al, 2013; Gomes & Ramaswamy, 1999). In sum, these factors suggest the appropriateness of geographical diversity's measure determined from the number of distinct countries rather than ratios or composite measures.

4.4.2.6. RECENTNESS

The recentness of entry mode experience categorizes previous entry modes of a firm into newer and older entry modes. Essentially, both newer and older modes of entry facilitate distinct types of organizational learning (Cho & Padmanabhan, 2001; Haleblian & Finkelstein, 1999; Meschi & Metais, 2013). Nevertheless, the influence of the recentness of entry mode experience has been mainly studied in the context of mode performance (Haleblian & Finkelstein, 1999; Meschi & Metais, 2013). Till date, there is only one study by Cho and Padmanabhan (2001) that analyses the relative significance of newer and older decision–specific experience in subsequent entry mode choice. Overall, the recentness of mode experience and its influence on mode selection has received limited attention.

The EMP theory employs recentness as one of the components and proposes that recent entry modes would occupy the consciousness of decision makers and garner more attention from them. The noticing of recent modes underpinned by greater attention facilitates the generation of meaning and interpretation that propels a firm to learn more from more recent entry structures. In particular, this learning contributes to the portfolio of organizational learning and the EMP theory analyses the influence of this collective learning on firm's subsequent mode of entry choice.

As recentness forms a scantily examined attribute of entry mode experience, previous studies offer only little information regarding the operationalization of recentness of entry

modes. For computing recent acquisition experience, Haleblian and Finkelstein (1999) employed a five-year cut off point and summed the number of acquisitions made by a firm over the span of five years preceding the current acquisition. Meschi and Metais (2013) adopted Haleblian and Finkelstein's (1999) measurement of recent experience, however, they included an additional two-year cut-off point to determine very recent experience as well as to accommodate post-acquisition integration process. Additionally, Cho and Padmanabhan (2001) calculated the older and newer decision specific experience through the log of the total count-years of a specific mode and its reciprocal i.e. 1/log (total count-years) respectively.

For the present study, utilizing Cho and Padmanabhan's (2001) measurement of newer and old decision specific experience could lead to the double counting of frequency variable i.e. one as a standalone component of the EMP theory and the second, bundled with the years of mode experience. As the objective of the portfolio perspective is the categorization of entry mode experience based upon the recentness, a cut-off point offers an effective technique to differentiate between older and recent entry modes. Consistent with Haleblian and Finkelstein (1999) and Meschi and Metais (2013), I measured the recentness of entry mode experience by selecting a five-year cut-off point. In particular, I computed Recentness WOS experience variable by counting the number of international WOSs established by a firm over the period of five years before the firm's most recent entry. Likewise, Recentness JV experience variable was calculated by counting the number of JVs established by a firm over the period of five years outside its home country before the firm's latest entry. In empirical analysis, Recentness WOS and Recentness JV variables were employed to examine the influence of recentness of entry mode experience on firm's latest entry mode selection.

4.4.2.7. PERFORMANCE

As an attribute of the EMP theory, performance refers to the outcome i.e. success or failure of historical entry modes that determines subsequent entry mode choice through organizational learning. Previous research has investigated the link between entry mode choice and performance, however, performance of prior entry modes as an antecedent of future mode choice has rarely been the subject of academic attention. Several difficulties such as the lack of data, varying financial reporting standards or accounting conventions across different countries and reconciliation of internal performance data have rendered performance-based research as a less explored domain (Nitsch, et. al, 1996; Nadolska & Barkema, 2007). In particular, performance measurement for acquisitions is thwarted due to complications that arise from distinct objectives that underlie an acquisition and the lack of clear distinction between firm's regular operations and post-merger performance (Nadolska & Barkema, 2007).

Past empirical studies have employed diverse measures for operationalizing the performance of entry modes. These consist of abnormal stock returns (Haleblian & Finkelstein, 1999; Hayward, 2002; Finkelstein & Haleblian, 2002), financial measures such as return of assets (ROA) (Ellis, et. al, 2011; Ramaswamy, 1997), perceptual measures composed of financial and/or non-financial items (Nitsch, et. al, 1996; Slangen & Hennart, 2008; Brouthers, 2013; Brouthers, et. al,; 2000; Woodcock, et. al, 1994; Kim & Gray, 2008) survival (Nadolska & Barkema, 2007; Barkema et. al, 1996; Vermeulen & Barkema, 2001) and the combination of cumulative abnormal returns with perceptual measures (Hayward, 2002).

There have been several arguments in the literature about these measures since they possess distinct strengths and weaknesses. Subjective and perceptual measures obviate key issues such as firm's unwillingness to provide financial data, heterogeneous national accounting practices and fluctuations in exchange rates (Brouthers, et. al, 1999). However, Slangen and Hennart (2008) has suggested that they may not serve as valid performance indicators as managers may not accurately recollect the expected and actual performance of a foreign affiliate. The emotional involvement of managers with subsidiaries could lead to biased responses regarding the performance of subsidiaries (Slangen & Hennart, 2008).

Accounting measures such as ROA act as effective performance proxy as they are less sensitive to estimation bias (Ellis, et. al, 2011). Nevertheless, these financial measures have additional drawbacks. Haleblian, et. al (2006) cast doubt on these measures as financial statements of a parent firm may not immediately reflect the impact of acquisition. The financial picture may be impacted by several factors including additional acquisitions, changes in product mix and investment strategies (Haleblian, et. al, 2006). In addition, the disregard towards non-financial reasons or strategic objectives such as the expansion of geographic scope and R&D that underlie an acquisition establishment could limit the importance of the accounting point of view (Brouthers, 2013; Haleblian, et. al, 2006). Its use may further be undermined due to the non-uniformity of accounting standards across countries, non-comparability of data, translation errors and variations in exchange rates (Haleblian, et. al, 2006; Brouthers, et. al, 2000; Slangen & Hennart, 2008; Brouthers, 2013).

Likewise, divergent views exist regarding the effectiveness of abnormal stock returns as a performance measure. Haleblian, et. al (2006) and Finkelstein and Haleblian (2002) justify the use of event study methodology i.e. abnormal stock returns through earlier established co-relations between ex ante measures of parent firm's abnormal returns and ex

post measures of acquisition performance as well as between abnormal return and the change in average ROA. However, Nadolska & Barkema (2007) point out that this operationalization of performance may be inappropriate as financial markets cannot evaluate the costs and benefits of complex learning processes that take place in firms through acquirer's stock price during acquisition announcement.

In order to test the hypothesis generated by the EMP theory, I relied on the financial measure i.e. ROA for computing the performance of previous entry modes. There are several reasons that underpin this selection. First, subjective measures are often employed in situations in which a firm is unwilling to disclose financial information regarding subsidiaries i.e. non-availability of objective financial data (Brouthers, 2013; Brouthers, et. al, 1999; Slangen & Hennart, 2008). As this research utilized the ORBIS database that provides annual financial information regarding firms and subsidiaries, issues regarding the accessibility and availability of financial data were resolved.

Second, Haleblian, et. al (2006) opine that financial statements do not accurately reflect the impact of acquisition on parent firm's performance and that the performance of a firm may be impacted by several factors, however, the goal of the EMP perspective is to contribute to the development of theory based on the organizational learning derived from the performance of prior foreign subsidiaries and not that of the firms. Therefore, accounting measures could serve as the valid indicators of performance for this research.

Third, the use of objective financial data is consistent with prior studies that employ accounting-based measures of mode performance (Ellis, et. al, 2011; Ramaswamy, 1997). In sum, the availability of data, requirement of performance of prior entry modes and consistence with extant empirical research justifies the selection of objective financial measures.

In accordance with these factors, the performance of each foreign affiliate was determined from its ROA value from the financial statement for the year before the parent firm's most recent international entry. Following that, the arithmetic averages of performance of each mode type i.e. WOSs and JVs were computed and used as two explanatory variables known as the Average Performance WOS and Average Performance JV respectively. In addition, based upon the cut-off point of five years, the average performances of recently established WOSs and JVs were computed and employed as recent performance variables i.e. Recent Performance WOS and Recent Performance JV respectively. In sum, four performance-based independent variables were measured i.e. average performance of all WOSs (Average Performance WOS), average performance of all JVs (Average Performance JV), average performance of recent WOSs (Recent Performance WOS) and average performance of recent JVs (Recent Performance JV).

4.4.3. CONTROL VARIABLES

Previous scholarship has identified several factors other than learning that influence the selection of an entry mode. In order to control potential influences exerted by these factors on entry mode choice, I included them as control variables. First, I have incorporated firm level variables such as firm size, home country-specific dummies, relatedness of investment and industrial sector dummies that determine mode of entry choice (Brouthers & Nakos, 2004; Brouthers & Brouthers, 2003; Barkema & Vermeulen, 1998; Slangen & Hennart, 2013). Second, I included transaction cost variables i.e. asset specificity and environmental or external uncertainty as the control variables (Gatignon & Anderson, 1988; Padmanabhan & Cho, 1996; Delios & Beamish, 1999). Third, three institutional distance variables namely regulatory, normative and cognitive institutional distances were taken into account (He, et. al, 2013; Arslan & Larimo, 2010; Powell & Rhee, 2013; Yiu & Makino, 2002). Lastly, another

host country variable that is critical in influencing entry mode choice is the annual GDP growth of country of operation was also included (Padmanabhan & Cho, 1996; Meyer, et. al, 2009b).

4.4.3.1. FIRM SIZE

The first variable employed to control the variation in data is the firm size. The control for the firm size is critical as prior research shows the impact of firm size on entry mode choice (Gatignon & Anderson, 1988; Kogut & Singh, 1988; Erramilli & Rao, 1993). Generally, larger firms owing to greater possession of resources prefer greater resource commitments i.e. equity modes or WOSs, however, small-sized firms with relatively fewer resources are more inclined towards non-equity modes (Brouthers & Nakos, 2004; Brouthers & Brouthers, 2003). While greater resource commitment by a larger firm represents a small proportion of its overall resources, the same resource commitment may constitute a significant proportion of a small-sized firm's total resources (Brouthers, et. al, 2008a). In addition, the ability of larger firms to decrease the marginal costs of international entry and leverage economies of scale and scope induces them to establish WOSs (Lu, 2002).

Several studies measure firm size through parent firm's worldwide annual sales for the year prior to entry (Tahir & Larimo, 2004; Arslan & Wang, 2015). Given the differences and incompatibility of accounting standards among several countries (Brouthers & Brouthers, 2003; Brouthers & Nakos, 2004), firm size was determined using total worldwide employment as opposed to the measure of assets employed by Padmanabhan and Cho (1996) and Barkema and Vermeulen (1998). Data for the firm's employment was sourced from ORBIS database that provides annual information regarding the total number of employees of each firm. Specifically, a control variable namely Firm Size was computed through the

number of employees of each firm for the year before the firm's most recent international entry. This measurement of firm size is in accordance with previous empirical studies including Brouthers (2002), Erramilli and Rao (1993), Powell and Rhee (2013) and Gatignon and Anderson (1988).

4.4.3.2. INDUSTRIAL SECTOR

Another key variable that has been found related with entry mode choice is the industrial sector of firms. Empirical studies by Brouthers and Brouthers (2003) and Erramilli and Rao (1993) clearly show the impact of industrial sector on firm's entry mode choice. Particularly, firms operating in manufacturing and service sectors have varying mode of entry choice owing to different requirements of expansion and distinct applications of their capabilities (Brouthers & Brouthers, 2003). Therefore, my second control variable included a sectorial variable that controlled the influence of operating sector on mode selection.

ORBIS, the data source, captures the information regarding parent firm's US SIC Core Code and its description that was employed for the identification of industrial sectors. The frequency distribution of the SIC core code, in particular, the two-digit prefix of the code revealed five major operating sectors namely drugs, manufacturing of motor vehicles, banks, insurance and bank holdings corresponding to prefixes 28, 37, 60, 63 and 67 respectively. Therefore, industry differences were controlled using five dichotomous variables namely SIC 28 Dummy, SIC 37 Dummy, SIC 60 Dummy, SIC 63 and SIC 67 Dummy. These variables held the value of one (1) if the parent firm's two-digit prefix of the SIC Core code matched with that of dichotomous variable under consideration and the value of zero (0) otherwise.

4.4.3.3. RELATEDNESS OF INVESTMENT

Another control variable included in the testing of hypothesis was the relatedness of the investment i.e. extent to which the activities of foreign subsidiary were related to those of its parent firm. In accordance with prior studies such as Padmanabhan and Cho (1996) and Slangen and Hennart (2013), relatedness of the investment was measured using a dummy variable namely Relatedness of Investment. This variable took a value of one when the first digit of the SIC core code of the firm's most recent international subsidiary matched with that of the parent firm i.e. foreign subsidiary's products/services or operations were either exactly same as those of the parent firm or at least a part of what a parent firm does. However, when the first digit of the SIC core code of the firm's latest entry did not match with that of the firm, the Relatedness of Investment variable took a value of zero. In other words, affiliates products/services had no commonality or were completely different from parent firm's operations or products/services. In sum, the SIC code of the most recent foreign affiliate was compared with that of the parent firm to determine the extent of relatedness of each foreign investment. The information regarding SIC codes for each firm and its subsidiaries were sourced from ORBIS database.

4.4.3.4. ASSET SPECIFICITY

Transaction-specific assets or asset specificity is one of the central components of the TCE perspective. Transaction-specific assets are physical and human investments that are specific to a transaction (Anderson & Gatignon, 1986; Brouthers & Brouthers, 2003; Williamson, 1985). Their redeployment outside the intended transactional context eithers declines their productivity or facilitates their adaptation to a new task (Anderson & Gatignon, 1986; Williamson, 1985; Zhao, et. al, 2004). The specificity or idiosyncrasy of investments impacts

the efficiency of entry mode structures available to firms for their international commitments (Brouthers & Brouthers, 2003).

A number of previous studies, though inconsistent in findings, lend empirical support to the TCE tenant that asset-specificity determines the mode of entry choice (Gatignon & Anderson, 1988; Erramilli & Rao, 1993; Brouthers & Brouthers, 2003; Brouthers et. al, 2003; Padmanabhan & Cho, 1996; Hennart & Larimo, 1998; Lu, 2002; Klein, et. al, 1990; Delios & Beamish, 1999; Palenzuela & Bobillo, 1999). The heterogeneous results are largely attributed to varying levels and attributes of asset specificity employed in operationalization of transaction-specific assets (Brouthers & Hennart, 2007). While industry- and firm-level indicators constitute varying levels (Delios & Beamish, 1999), different attributes of asset specificity include advertising intensity, technology asset specificity, human asset specificity and physical asset specificity (Brouthers & Hennart, 2007; Delios & Beamish, 1999; Kim & Hwang, 1992). These diverse conceptualizations of asset specificity are reflected in numerous constructs employed for its measurement.

A commonly utilized measure of the asset specificity is the R&D Intensity i.e. ratio of R&D expenditure to the sales (Gatignon & Anderson, 1988; Padmanabhan & Cho, 1996; Cho & Padmanabhan, 2001; Makino & Neupert, 2000; Delios & Beamish, 1999; Hennart, 1991; Geyskens, et. al, 2006; Chen & Hu, 2002). A few studies also determine asset specificity through classification of four digit SIC industries into high-tech, medium-tech and low-tech firms (Tahir & Larimo, 2004; Larimo & Arslan, 2013)**.** Other measuring instruments include multi-item scales developed from subjective responses or perceptual measures that determine the degree of idiosyncrasy or proprietary nature of firm's service or products offered, investments in training, technology and level of dedicated assets (Palenzuela & Bobillo, 1999; Erramilli & Rao, 1993; Taylor, et. al, 1998; Kim & Hwang, 1992; Brouthers & Brouthers,

2003).

For the present study, I employed the R&D intensity of the firm for the year before its most recent international entry as the proxy for asset specificity namely Asset Specificity variable. A key reason for the utilization of this measure is that ORBIS database holds annual financial statements that provide yearly information regarding the R&D expenditure of each firm. Additionally, the operationalization of asset specificity as R&D intensity is in accordance with previous studies (Gatignon & Anderson, 1988; Padmanabhan & Cho, 1996; Cho & Padmanabhan, 2001; Makino & Neupert, 2000; Delios & Beamish, 1999; Hennart, 1991). In sum, the availability of data and the prior utilization of this variable facilitated the employment of R&D intensity to control the effect of asset specificity on entry mode choice.

4.4.3.5. EXTERNAL UNCERTAINTY

External uncertainty, the second attribute of TCE logic, refers to the volatility or unpredictability of external environment that constrains the firm's ability to enumerate all probable eventualities and actions of partners in a contract (Gatignon & Anderson, 1988; Williamson, 1985; Zhao, et. al, 2004). External uncertainty arises from several political, legal, cultural, and economic factors including government's barriers to entry, economic fluctuations and differences in market environment of home and host country (Brouthers, et. al, 2008a; Gatignon & Anderson, 1988; Brouthers & Brouthers, 2003). The uncertainty experienced by a firm determines its extent of foreign ownership. In an uncertain environment, firms prefer low-control or market-based modes that avoid huge resource commitments and maintain their flexibility for renegotiation of contract terms in subsequent environmental shifts (Anderson & Gatignon, 1986; Brouthers & Brouthers, 2003).

A frequently employed construct for external uncertainty is the country risk (Gatignon & Anderson, 1988; Kim & Hwang, 1992; Delios & Beamish, 1999; Erramilli & Rao, 1993; Brouthers & Brouthers, 2003). Empirically, findings reveal varying conclusions regarding the influence of country risk on entry mode choice. Gatignon and Anderson (1988), Kim and Hwang (1992) and Brouthers and Brouthers (2003) showed that in high-risk destinations, firm avoided complete ownership of their foreign affiliates. In Central and Eastern Europe's (CEE) countries with greater country risk, Nordic firms preferred JVs over WOS (Larimo & Arslan, 2013). Arslan and Larimo (2011) found that Finnish firms preferred greenfields in high risk emerging economies in order to avoid costs and uncertain returns on acquisitions. Additionally, Delios and Beamish (1999) and Erramilli and Rao (1993) were unable to find a consistent impact of country risk on the selection of an entry mode.

A significant variation exists in the way country risk has been measured. A few studies including Gatignon and Anderson (1988) and Erramilli and Rao (1993) employed Goodnow and Hanz's (1972) clusters of country risk that classifies countries into high-, medium- and low-country risk destinations. Others such as Delios and Beamish (1999), Barkema and Vermeulen (1997), Tahir and Larimo (2004) and Arslan and Larimo (2011) utilized Euromoney Country Risk (ECR) Index to measure the level of host country's political and economic risk. Likewise, Chan & Makino (2007) operationalized political instability through government stability dimension in the International Country Risk Guide (ICRG) database. Additionally, several studies used perceived measures of one or more environmental attributes including market potential, country risk, location unfamiliarity, market volatility and political, social, and economic stability (He, et. al, 2013; Brouthers & Brouthers, 2003; Brouthers, et. al, 2000; Klein et. al, 1990; Luo, 2001; Brouthers, 2002; Kim & Hwang, 1992)

Given its extensive coverage of 186 countries and a detailed breakdown of economic, political and structural risk scores along with sub factor scores of fifteen individual country risk variables, ECR provided appropriate information for the measurement of country risk (Euromoneycountryrisk, 2015). However, the access to the ECR data required a very expensive membership fees. Therefore, consistent with Chan and Makino's (2007) study, I computed external uncertainty through the institutional indicator i.e. political stability and absence of violence which is sourced from ICRG database and is available on the Worldwide Governance Indicator website. The score of the political stability and absence of violence indicator for the country in which the firm has made the most recent international entry and specifically for the year before that entry was taken into account and used in the control variable namely External Uncertainty.

4.4.3.6. BEHAVIOURAL UNCERTAINTY

Behavioural or internal uncertainty is defined as the extent of the difficulty experienced by a firm in verifying the compliance and performance of contractual agreements (Boeh & Beamish, 2012; Brouthers & Hennart, 2007). This form of uncertainty underlies the opportunistic tendencies of transacting partners such as free riding, dissemination, shirking and distortion of information (Williamson, 1985). A firm, thus, directs its efforts towards the monitoring of contract partners and enforcement of agreements that increases the overall transaction costs (Gatignon & Anderson, 1988; Brouthers & Brouthers, 2003). Therefore, behavioural uncertainty induces the firm to adopt high-control entry modes that enable the firm to monitor inputs instead of outputs and make subjective judgments that mitigate transaction costs (Brouthers & Brouthers, 2003).

An MNE with substantial international experience is assumed to be less vulnerable to internal uncertainty (Zhao et. al, 2004). As a firm garners international experience, it secures knowledge and confidence critical for qualified judgments about potential risks and returns from its foreign affiliates. A firm, therefore, gradually engages in the active management of foreign entity with a greater degree of control (Anderson & Gatignon, 1986).

Empirically, evidence has been mixed. While some studies found that experienced MNEs preferred WOSs (Gatignon & Anderson, 1988; Padmanabhan & Cho, 1996; Hennart, 1991; Luo, 2001; Kim & Hwang, 1992), others including Brouthers and Brouthers (2003) and Delios and Beamish (1999) showed that greater experience levels were associated with the firm's preference for lower ownership levels or shared control entry modes. Another set of studies found no statistically significant relationship between internal uncertainty and firm's ownership structure (Brouthers, et. al, 2003; Padmanabhan & Cho, 1996; Brouthers & Brouthers, 2003).

These mixed and divergent findings are ascribed to several types of experience and non-experience-based constructs of internal uncertainty employed in empirical research (Brouthers & Hennart, 2007). Experience related measures encompass total number of foreign investments (Gatignon & Anderson, 1988; Delios & Beamish, 1999; Gomes-Casseres, 1989), length of the years of firm's operations in a host country (Hennart, 1991; Padmanabhan & Cho, 1996; Delios & Beamish, 1999; Luo, 2001), number of foreign affiliates established in a specific host country (Luo, 2001), number of years of worldwide experience (Padmanabhan & Cho, 1996) and export intensity (Delios & Beamish, 1999). Non-experience-based constructs include perceptual measures of problems or difficulty associated with performance monitoring, safeguarding proprietary knowledge and costs of search, contracting, and enforcement (Brouthers, 2002; Brouthers, et. al, 2003; Brouthers &

Brouthers, 2003).

The inconsistent yet significant impact of internal uncertainty on entry mode choice warrants its inclusion as a control variable in the research. However, taking into account diverse constructs of internal uncertainty employed in previous research, it can be inferred that these constructs represent several independent attributes of the EMP theory. For instance, measures such as the length of years of firm's operation in a host country or number of foreign affiliates established in a specific host country (Luo, 2001) can be interpreted as host country experience which forms an individual component of the EMP perspective. Other measures including the total number of foreign investments and number of years of worldwide experience have been modified and incorporated as Frequency and General International Experience components respectively. These components are assumed to capture the influence of the decrease in internal uncertainty by accumulation of experience on firm's entry mode selection. Given the presence of nuances of internal uncertainty in individual attributes of the EMP perspective, I decided to drop internal uncertainty as the control variable in the hypothesis testing.

4.4.3.7. REGULATIVE INSTITUTIONAL DISTANCE

The regulatory environment pertains to laws and regulations that ensure order and stability in a society (Scott, 1995; He, et. al, 2013). A firm must conform to rules, legal or quasi-legal requirements in order to secure a legitimate right to establish and conduct business operations in a foreign country (Lu, 2002; Yiu & Makino, 2002; Xu & Shenkar, 2002). The regulative institutional distance refers to the difference in legal institutions, formal rules and regulations between the home base of MNE and its country of operation (Arslan & Larimo, 2010).

Most theoretical and empirical work acknowledges the influence of regulatory indicators such as host country's legal restrictions, intellectual property protection, political risks and regulative distance on the entry mode choice (Delios & Beamish, 1999; Brouthers, 2002; Morschett, et. al, 2010; Brouthers, 1995; Ahmed, et. al, 2002; Yiu & Makino, 2002). While legal restrictions constrain the firm's ability to exploit or augment capabilities and induces the firm to adopt JVs (Brouthers, 2002; Delios & Beamish, 1999), a weak intellectual property protection increases the likelihood for high ownership levels that obviate high transaction costs associated with protection of proprietary assets (Delios & Beamish, 1999).

For a small regulative distance or a similar regulative environment as that of home country, MNE prefers WOSs (Yiu & Makino, 2002) or a majority JV (Xu & Shenkar, 2002). However, variance in regulative institutions creates risks and uncertainties that restrain a firm from large investments, thus, fostering the creation of minority JVs (Xu & Shenkar, 2002) or JVs (Arslan & Larimo, 2010). Empirically, a restrictive regulative domain was found to facilitate the firm's preference for JVs (Yiu & Makino, 2002). However, for high regulative distance, Arslan and Larimo (2010) did not find firm's inclination for JVs. The empirical findings, though inconsistent, corroborate the notion that regulative distance influences the selection of an entry mode. Therefore, to control its effect, I included regulative distance as a control variable.

The operationalization of regulative distance and components has varied significantly in the literature. For instance, Nakos and Brouthers (2002), Brouthers and Brouthers (2003) and Brouthers (2002) computed regulative dimension through perceptual measures that determined the extent of legal restrictions in the host country. While Barkema and Vermeulen (1998) utilized a dummy variable to identify the countries that imposed legal restrictions on foreign ownership, Brouthers, et. al (2008b) determined formal institutional differences

through country risk distance measure calculated by subtracting the Euromoney Country Risk (ECR) value of firm's home country from the values of its countries of operations. Arslan and Larimo (2011) operationalized formal institutional distance using average difference of scores of home and host country determined for three items namely the extent to which competition legislation can prevent unfair competition, adaptability of government policy to changes in the economy and transparency of government policy captured from World Competitiveness Yearbook. In addition, Delios and Beamish (1999) determined the effect of local ownership restriction and degree of intellectual property protection from several items selected from World Competitiveness Report (WCR). Likewise, Yiu and Makino (2002) chose seven items from WCR to determine regulative forces.

For regulative distance, scholars including Hernandez and Nieto (2015), Ang, et. al (2015) and Dikova and Wittelosstuijn (2007) employed World Bank Governance indicators namely voice and accountability, political stability, government effectiveness, regulatory quality, rule of law and control of corruption to form a composite measure for the regulative score of a specific country. Additionally, Arslan and Larimo (2010) selected specific items such as intellectual property rights protection, judicial independence and burden of government regulation from Executive Opinion Survey from Global Competitiveness Report (GCR) to measure regulative institutional scores i.e. numerical average of those items and the regulative distance i.e. difference between regulative score of home country and that of a host country. Employing the similar report, Powell and Rhee (2013) computed the regulative distance through the Business Impact of Rules on FDI item of report. Further, He, et. al (2013) formed a regulative distance construct composed of 10 items selected from Economic Freedom Index (EFI).

Consistent with measuring instrument employed by Hernandez and Nieto (2015),

Ang, et. al (2015) and Dikova and Wittelosstuijn (2007), I sourced indicators including voice and accountability, political stability, government effectiveness, regulatory quality, rule of law and control of corruption from Worldwide Governance indicators published by World Bank to form a regulative distance construct. Given the availability of scores of these indicators from the year 1996 to 2015, the source World Bank was chosen over GCR whose publically available reports were only available from the year 2008 up to 2015.

Table 2: Factor Analysis of Regulative Institutional Indicators

Factors	Factor Loadings	Eigen Value	% Variance Explained	Cumulative %	Cronbach Alpha
Factor 1: Regulative Institutional Score		5.16	85.98	85.98	0.970
Rule of Law	0.97				
Government Effectiveness	0.96				
Control of Corruption	0.96				
Regulatory Quality	0.94				
Voice & Accountability	0.92				
Political Stability/Absence of Terrorism	0.80				

Principal Axis Factoring
K-M-O Measure of Sampling Adequacy = 0.93; Barlett's Test of Sphericity = 9148.13; $p < 0.000$

Following the selection of regulative indicators, an exploratory factor analysis was performed that revealed that all the six items converged on one factor (Cronbach's α = .97). The values of these items for country of the most recent entry, particularly, for the year before that entry were taken into account. The numerical average of scores of these selected indicators constituted the regulative institutional scores of the individual countries and the absolute difference between the regulative institutional scores of home and host countries was operationalized as regulative institutional distance control variable i.e. Regulative Institutional Distance.

4.4.3.8. NORMATIVE INSTITUTIONAL DISTANCE

The normative pillar refers to the collective understanding of people in a society that determines socially accepted or appropriate economic behaviour (Scott, 1995). In particular, normative institutional distance pertains to differences in informal attributes of institutional environment such as beliefs, values, social obligations, levels of corruption, importance of business networks, responsiveness of political systems to economic challenges and transparency in governance between a firm's home country and its country of operation (Arslan & Larimo, 2010; Gaur, et. al, 2007). A greater normative distance hinders the entrant's ability to interpret established norms and societal expectations of a host county (Yiu & Makino, 2002).

Empirical studies demonstrate the impact of normative environment on firm's entry mode decisions; however, variation in findings exists. For instance, Yiu and Makino (2002) and Xu et. al (2004) revealed that a firm prefers joint ventures in countries with greater normative distance. In contrast, Arslam and Larimo (2010) found that higher normative institutional distance facilitates the formation of wholly-owned subsidiaries over joint

ventures.

For the operationalization of normative distance, researchers have employed diverse measuring instruments. Brouthers, et. al (2008b) utilized social norms to measure informal institutional differences. While social norms were determined using four items selected from World Value Survey, social norms distance was computed by subtracting the social norms value of a host country from the home market value (Brouthers, et. al, 2008b). Additionally, Powell and Rhee (2013) calculated normative distance control variable through average absolute differences of five normative institutional indicators (Efficacy of corporate boards, Extent of Staff Training, Degree of Customer Orientation, Reliance on professional management and willingness to delegate authority) of home and host countries selected from the GCR. In similar vein, Arslan and Larimo (2010) and He, et. al (2013) selected five and seven dimensions respectively from GCR to compute normative distance. While Arslan and Larimo (2010) selected ethical behavior of firms, strength of auditing and reporting standards, efficacy of corporate boards, quality of management schools and local availability of specialized research and training services as key dimensions, He, et. al (2013) employed efficacy of corporate boards, pay and productivity, capacity and innovation, degree of customer orientation, extent of staff training, reliance on professional management, and willingness to delegate authority as seven normative institutional indicators.

In accordance with approach employed by He, et. al (2013), Powell and Rhee (2013), Arslan and Larimo (2010), I calculated the normative institutional distance from institutional dimensions selected from GCR. In particular, GCR contains the average country scores for each dimension that underlies the normative institutional distance, therefore, enabling the selection of appropriate items for each study (Powell & Rhee, 2013). Consistent with Powell & Rhee's study (2013), the normative institutional indicators selected were the efficacy of

corporate boards, extent of staff training, degree of customer orientation, reliance on professional management, willingness to delegate authority and pay and productivity. The values of these indicators for country of the most recent entry, particularly, for the year before that entry were taken into account from the annually published GCRs.

Table 3: Factor Analysis of Normative Institutional Indicators

Factors	Factor Loadings	Eigen Value	% Variance Explained	Cumulative %	Cronbach Alpha
Factor 1: Normative Institutional Score		4.23	70.54	70.54	0.92
Extent of Staff Training	0.95				
Reliance on Professional Management	0.94				
Efficacy of Corporate Boards	0.88				
Willingness to Delegate Authority	0.88				
Degree of Customer Orientation	0.81				
Pay & Productivity	0.49				

Principal Axis Factoring
K-M-O Measure of Sampling Adequacy = 0.88; Barlett's Test of Sphericity = 5639.61; $p < 0.000$

For international entries before 2008 for which GCRs were not available, extrapolation of values was done to determine scores for appropriate year. Following that, an exploratory factor analysis was performed that revealed that five items namely efficacy of

corporate boards, extent of staff training, degree of customer orientation, reliance on professional management and willingness to delegate authority had factor loadings of more than 0.81, however, pay and productivity dimension was singled out owing to low loading of 0.48.

Consistent with Powell & Rhee (2013), pay and productivity dimension was dropped from the list of institutional indicators and a composite measure of normative score was determined using remaining five indicators. Factor analysis confirmed these indicators loaded on one factor (Cronbach's $\alpha = .94$). The numerical average of scores of the selected indicators constituted the institutional scores of the individual countries and the absolute difference between the institutional scores of home and host countries was operationalized as normative institutional distance control variable i.e. Normative Institutional Distance.

4.4.3.9. COGNITIVE INSTITUTIONAL DISTANCE

Cognitive pillar refers to informal attributes of institutional environment that constitute the nature of reality through which organizational actors interpret and shape their meanings (Scott, 1995; Yiu & Makino; 2002). According to cognitive pillar, a firm needs to comply with established cognitive structures or adopt institutionalized practices in order to secure cognitive legitimacy (Kostova & Zaheer, 1999; Scott, 1995; Yiu & Makino, 2002). The key mechanisms through which a firm attains cognitive legitimacy are internal and external mimicry (Chan & Makino, 2007; Yiu & Makino, 2002). In other words, firms take into account their prior experience and experience of other firms to interpret to efficiency of their organizational structures in event of uncertainty (Yiu & Makino, 2002). A firm may use several decision-bases to namely frequency-based imitation, outcome-based imitation and trait-based imitation to imitate other firms (Lu, 2002; Yiu & Makino, 2002). Empirical studies

by Yiu and Makino (2002) and Lu (2002) exhibit the impact of cognitive dimension i.e. external and internal mimicry as well as frequency-, trait- and outcome-based imitation on firm's entry mode choice.

Internal mimicry and external mimicry were measured using the rate of JV over WOSs established by parent firm and other firms respectively (Yiu & Makino, 2002). Likewise, Lu (2002) computed several ratios of the parent firm and its competitors to operationalize frequency-, trait- and outcome-based imitation. For cognitive distance, while Powell and Rhee (2013) utilized the same measure for both normative and cognitive distances i.e. average absolute differences of five normative institutional indicators of home and host countries selected from the GCR, scholars including Gaur, et. al (2007) and He, et. al (2013) employed cultural distance between the home and host country as a proxy for cognitive institutional distance.

Consistent with prior studies (Gaur, et. al, 2007; He, et. al, 2013), I operationalized cognitive institutional distance as Cognitive Institutional Distance variable that takes into account the cultural distance between firm's home country and its country of operation. Following Kogut and Singh's (1988) approach and its application in diverse studies (Larimo & Arslan, 2013; Demirbag, et. al, 2009; Arslan & Wang, 2015; Chen & Hu, 2002; Klier, et. al, 2017), I computed cultural distance as a composite index of Hofstede's (1980) cultural values.

Several critiques undermine the significance of Hofstede cultural dimensions such as oversimplified dimensions of culture, limited sample of countries based on one organization, cultural changes over time and intra-country cultural variation (Kirkman, Lowe & Gibson, 2006). Nevertheless, Drogendijk and Slangen (2006) compared the effects of measures of cultural distance derived from Hofstede's (1980) work and more recent Schwartz's (1999)

seven cultural dimensions and found that explanatory power of both these measures were comparable and that they explained MNEs establishment mode choice equally well. Therefore, it may be premature to assume Hofstede's analysis of natural cultural differences as inferior and outdated in comparison to recent measures (Drogendijk & Slangen, 2006).

In particular, Kogut and Singh's (1988) cultural index is a composite index developed from four cultural dimensions identified by Hofstede's (1980) study namely power distance, uncertainty avoidance, individuality-collectivism and masculinity-femininity (Kogut and Singh, 1988). While power distance pertains to the extent to which people or society believe that there is unequal power distribution in institutions or organizations, uncertainty avoidance considers the extent to which society is threatened by uncertain and ambiguous circumstances and which people attempt to overcome by formal rules, career stability, believing in absolute truth and focusing on securing expertise (Drogendijk & Slangen, 2006; Kirkman, et. al, 2006). Individualism and collectivism refers to the extent to which a society emphasises on the role of individual and group respectively (Kirkman, et. al, 2006). While individualism pertains to a loosely knit framework in which people are primarily concerned about themselves and their families, collectivism is a tight social framework which facilitates in-group and out-groups (Kirkman, et. al, 2006). Additionally, masculinity dimension refers to the importance of masculine traits such as competitiveness, acquisition of money, ambition and achievement in a society, however, feminine dimension analyses the emphasis on feminine values including nurturing, quality of life, relationships etc. (Drogendijk & Slangen, 2006; Kirkman, et. al, 2006). In this study, cultural distance was measured by computing deviations along each of four cultural dimensions of home country score from host country's score, correcting the variance for each dimension and followed by their arithmetic average (Kogut & Singh, 1988).

4.4.3.10. ECONOMIC DEVELOPMENT OF HOST COUNTRY

In addition to the above institutional variables, I controlled for Gross Domestic Product (GDP) of the host country's economy that could impact foreign entrant's choice of an entry mode. Prior studies including Padmanabhan and Cho (1996), Chan and Makino (2007) and Meyer, et. al (2009) employ economic development of the host country as a control variable, however, through different measuring instruments. While Padmanabhan and Cho (1996) utilized a dummy variable that took a value one and zero when host economy was from developed countries and developing countries respectively, Meyer, et. al (2009) measured GDP value of the host country. Likewise, Larimo and Arslan (2013) and Arslan and Wang (2015) operationalize economic growth through the GDP value in the target country of investment and reveal that the high host country economic growth shapes the preference of Nordic firms for WOSs in CEE and acquisitions in China respectively.

In the present research, I computed the economic development of the host country from the GDP value obtained from The World Bank. Worldbank is an online database that provides a detailed report regarding development of countries based upon several world development indicators (The World Bank, 2015). Given the World Bank's free accessibility and prior use (Meyer, et. al, 2009b), I sourced the GDP value from it and used the variable namely Economic Development of Host Country to control the effect of economic development of the host country on entry mode decisions. Economic Development of Host Country variable was measured as the GDP value of the host country in which the firm has made the most recent entry and this value is for the year before the year of the establishment of that latest foreign affiliate.

4.4.3.11. COUNTRY DUMMIES

Consistent with prior studies (Brouthers, et. al, 2008; Haar & Marinescu, 2014; Brouthers & Nakos, 2004; Meyer, et. al, 2009b), I included home country dummy variables to control for the variations arising from the country of origin and impact of the potential home country influences on the choice of an entry mode. Of the 389 distinct firms in the complete data set, 20 per cent had their origins in Germany, while France, United Kingdom, Netherland were home to more than 19, 16 and 10 per cent of the parent firms respectively. Additionally, around 20 per cent of the firms originated in Spain, Ireland, Italy, and Sweden. Therefore, corresponding to France, Germany, Great Britain, Spain, Ireland, Italy, Netherland and Sweden, eight dichotomous variables namely FR Dummy, DE Dummy, GB Dummy, ES Dummy, IR Dummy, IT Dummy, NL Dummy and SE Dummy were employed. These variables were coded one (1) if firm was from the specified home country and coded zero (0) otherwise.

4.4.3.12. SIZE

The size pertains to the size of the prior foreign affiliates i.e. WOSs and JVs established by a firm. The contribution of both small- and large-sized historical foreign subsidiaries towards organizational learning and mode selection underpins the significance of size in the empirical analysis (Ellis, 2011; Tsang, 2005; Brouthers & Brouthers, 2000; Brouthers & Dikova, 2010). For instance, higher frequency of small-sized acquisitions assists in the creation of routines that act as blueprints for subsequent smaller acquisitions (Ellis, et. al, 2011). Large-sized subsidiaries help firms to secure firm-specific knowledge the shortage of financial and/or managerial resources, switching costs, overheads, costs, returns and the extent of complementary assets required for actualization of large scale foreign investments (Tsang,

2005; Brouthers & Brouthers, 2000; Kaynak et. al, 2007). Additionally, firms become aware of risks and uncertainties associated with large affiliates (Brouthers & Dikova, 2010; Tsang, 2005). Traditionally, studies have examined the influence of size of current foreign investment on the present entry mode choice (Tsang, 2005; Dikova & Witteloostuijn, 2007; Brouthers & Brouthers, 2000; Hennart, 1991; Kaynak, et. al, 2007; Luo, 2001).

Attention Based View suggests that organizations selectively attend to few aspects of the organizational environment, therefore, only a limited number of issues receive the attention of decision makers and play a key role in the decision- making process (Hoffman & Ocasio, 2001; Wu & Guan, 2012). Given the scarcity of managerial attention (Tseng, et. al, 2011; Hoffman & Ocasio, 2001), firms would have concern for only a few large foreign establishments. In other words, selective attention of decision makers is restricted to large-sized foreign subsidiaries over small-sized subsidiaries. Large-sized subsidiaries capture managerial attention that causes decision makers to comprehend, analyse and interpret those types of subsidiaries. As Top Management Team (TMT) or decision makers provide structure and meaning to their experience, a firm learns more from previous large-sized subsidiaries that influences its subsequent mode choice. Therefore, after determining the size of each previous foreign entry, I identified five largest foreign WOSs and JVs that would occupy the consciousness of decision makers, attract greater attention and facilitate organizational learning.

The measurement of size variable has varied significantly ranging from single measures such as the amount of total investment (Demirbag, et. al, 2009; Tsang, 2005; Kaynak, et. al, 2007; Tse, Pan & Au, 1997) or number of employees in a subsidiary at time of establishment (Brouthers & Dikova, 2010) to ratios or relative sizes determined from the number of initial employees of subsidiary divided by the total workforce of the parent firm

(Brouthers & Brouthers, 2000; Dikova & Witteloostuijn, 2007) or investment size to parent's total assets (Padmanabhan & Cho, 1996).

Consistent with prior studies (Brouthers & Dikova, 2010; Brouthers & Brouthers, 2000; Dikova & Witteloostuijn, 2007) that utilize employee information, I took into account the number of employees of prior foreign WOSs and JVs established by the firm for the year before its most recent entry. The employee data was sourced from the ORBIS database that provides annual information regarding the number of employees for each foreign affiliate. This information assisted in determining the five largest WOSs and JVs established by a firm prior to its latest entry. Following that, two size variables i.e. Size WOS and Size JV were computed. While the Size WOS was determined by taking the average of the number of employees of the five largest WOSs, Size JV was computed through the average of the number of employees of the five largest JVs. In sum, Size WOS and Size JV variables were utilized as control variables to control the influence of the organizational learning derived from the size of prior foreign structures on firm's most recent entry mode selection. Table 4 provides a review of operationalisation of variables used in this study along with reference to earlier studies.

Table 4: Operationalisations of Variables

S.No	Variables	Operationalisation	Prior Studies
Dependent Variable			
1	Latest Entry Mode. Coded one (1) for wholly-owned subsidiaries and zero (0) for joint ventures.	The most recent mode of entry categorized as Wholly-owned subsidiaries (95% or more ownership) or a Joint Venture (>=5% to <95% ownership)	Arslan & Larimo, 2010; Chen & Hennart, 2002; Hennart, 1991; Hennart, et. al, 2015; Makino & Neupert, 2000
Independent Variables			
2	Frequency WOS (JV)	Total number of preceding WOSs (JVs) established by a parent firm outside its home country prior to its most recent entry.	Arslan & Larimo, 2011; Arslan & Wang, 2015; Collins, et. al, 2009; Haleblian, et. al, 2006; Klier, et. al, 2017; Larimo & Arslan, 2013; Nadolska & Barkema, 2007; Tahir & Larimo, 2004; Vermeulen & Barkema, 2001
3	Host Country Experience WOS (JV)	Length of the time (in years) from the year of incorporation of the firm's first WOS (JV) in the country of the firm's most recent entry till the year of establishment that recent entry.	Arslan & Larimo, 2011; Delios & Beamish, 1999; Hennart, 1991; Larimo & Arslan, 2013; Klier, et. al, 2017; Yiu & Makino, 2002
4	General International Experience WOS (JV)	The total number of years since the establishment of the firm's first international (WOS) JV prior to the year of the most recent international entry.	Blomstermo, et. al, 2006; Mutinelli & Piscitello, 1998; Nakos & Brouthers, 2002

5	Function WOS (JV)	The total number of firm's international WOSs (JVs) with the same first digit of NAICS 2012 Core Code as that of the firm most recent entry mode.	
6	Geographical Diversity (WOS) JV	The total number of distinct countries in which a firm has established (WOSs) JVs outside its home country prior to its most recent international entry.	Barkema & Vermeulen, 1998; Kogut & Singh, 1988; Tallman & Li, 1996; Vermeulen & Barkema, 2001
7	Recentness WOS (JV)	The total number of international WOSs (JVs) established by a firm over the period of five years before the firm's most recent entry.	Haleblian & Finkelstein, 1999; Meschi & Metais, 2013
8	Average Performance WOS (JV)	Arithmetic averages of performance i.e. ROA value of each previously established WOSs (JVs)	Ellis, et. al, 2011; Ramaswamy, 1997
9	Recent Performance WOS (JV)	Based upon the cut-off point of five years, arithmetic averages of performance i.e. ROA value of recently established WOSs (JVs)	Ellis, et. al, 2011; Ramaswamy, 1997
Control Variables			
10	Firm Size	Number of employees of each firm for the year before the firm's most recent international entry	Brouthers 2002; Erramilli & Rao; 1993; Gatignon & Anderson, 1988; Powell & Rhee, 2013
11	SIC 28 Dummy, SIC 37 Dummy, SIC 60 Dummy, SIC 63 and SIC 67 Dummy.	Value of one (1) if the parent firm's two-digit prefix of the SIC Core code matched with that of latest entry mode and the value of zero (0) otherwise.	

12	Relatedness of Investment	Value of one (1) when the first digit of the SIC core code of the firm's most recent international subsidiary matched with that of the parent firm i.e. foreign subsidiary's products/services or operations were either exactly same as those of the parent firm or at least a part of what a parent firm does and the value of zero (0) otherwise.	Padmanabhan & Cho, 1996; Slangen & Hennart, 2013
13	Asset Specificity	R&D intensity of the firm for the year before its most recent international entry	Cho & Padmanabhan, 2001; Delios & Beamish, 1999; Gatignon & Anderson, 1988; Hennart, 1991; Makino & Neupert, 2000; Padmanabhan & Cho, 1996
14	External Uncertainty	The score of the political stability and absence of violence indicator from ICRG database for the country in which the firm has made the most recent international entry and specifically for the year before that entry	Chan & Makino, 2007
15	Regulative Institutional Distance	Six Indicators including voice and accountability, political stability, government effectiveness, regulatory quality, rule of law and control of corruption from Worldwide Governance indicators were taken for the year before the most recent entry and followed by exploratory factor analysis.	Ang, et. al, 2015; Dikova & Wittelosstuijn, 2007; Hernandez & Nieto, 2015

16	Normative Institutional Distance	Six institutional indicators including the efficacy of corporate boards, extent of staff training, degree of customer orientation, reliance on professional management, willingness to delegate authority and pay and productivity from GCR were taken for the year before the most recent entry and followed by exploratory factor analysis.	Arslan & Larimo, 2010; He, et. al, 2013; Powell & Rhee, 2013
17	Cognitive Institutional Distance	Cultural distance between firm's home country and its latest country of operation. Kogut & Singh's (1988) approach using Hofstede's (1980) cultural values.	Gaur, et. al, 2007; He, et. al, 2013
18	Economic Development of Host Country	GDP value of the host country (sourced from World Bank) in which the firm has made the most recent entry	Arslan & Wang, 2015; Larimo & Arslan, 2013; Meyer, et. al, 2009
19	FR Dummy, DE Dummy, GB Dummy, ES Dummy, IR Dummy, IT Dummy, NL Dummy and SE Dummy	Coded one (1) if firm was from the specified home country and coded zero (0) otherwise.	Brouthers, et. al, 2008; Brouthers & Nakos, 2004; Haar & Marinescu, 2014; Meyer, et. al, 2009b
20	Size WOS (JV)	Average of the number of employees of the five largest WOS (JVs)	Brouthers & Brouthers, 2000; Brouthers & Dikova, 2010; Dikova & Witteloostuijn, 2007

4.5. RESULTS

A binary logistic regression analysis was performed to investigate the Entry Mode Portfolio (EMP) theory of entry mode choice. Logistic regression allows the incorporation of continuous and categorical independent variables as well as a wide range of diagnostics without meeting assumptions of normality, linearity or homoscedasticity (Hair, Black, Babin & Anderson, 2014). Since this study employs a dichotomous dependent variable and several categorical and continuous predictors, logistic regression analysis was considered as the most appropriate technique. Logistic regression model is formally expressed as

$$P(Y) = 1/(1 + e^{-Z})$$

$$Z = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \cdots + \beta_n X_n$$

Y is the dependent variable i.e. Latest Entry Mode determined by a binary variable that was coded one (1) for wholly-owned subsidiaries and zero (0) for joint ventures.

X_1, X_2 . . . X_n are the independent variables i.e. frequency, geographical diversity, average performance, recent performance, host country experience, general international experience and recentness computed for wholly-owned subsidiaries (WOS) and joint ventures (JV) individually.

β_0 is the intercept; β_1, β_2.....β_n are regression coefficients that estimate the impact of independent variables on the probability of the selection of a WOS as dependent variable is coded 1 for a WOS. A positive regression coefficient suggests that the independent variable increases the probability of the selection of a WOS as the firm's next entry mode choice, while a negative coefficient indicates that predictor increases the likelihood of a joint venture entry.

Z is a linear combination of the independent variables.

Table 5
Means, Standard Deviations and Correlations

	Variables	*Mean*	*SD*	*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*	*11*	*12*	*13*	*14*	*15*	*16*	*17*	*18*	*19*	*20*	*21*	*22*	*23*	*24*
	Dependent Variable																										
1	Latest Entry Mode	0.640	0.480	1																							
	Control Variables																										
2	Firm Size	89355.720	115431.180	0.063	1																						
3	SIC 28 Dummy	0.060	0.231	0.001	-.097*	1																					
4	SIC 37 Dummy	0.070	0.249	0.082	.156**	-0.065	1																				
5	SIC 60 Dummy	0.090	0.293	-0.016	-0.018	-0.079	-0.086	1																			
6	SIC 63 Dummy	0.090	0.293	-0.031	-.130**	-0.079	-0.086	-.105*	1																		
7	SIC 67 Dummy	0.100	0.307	0.037	-0.046	-0.084	-.091*	-.111*	-.111*	1																	
8	Relatedness of Investment	0.360	0.480	-.112*	0.033	-0.092	-.113*	.203**	.306**	-0.048	1																
9	Asset Specificity	0.018	0.034	-0.016	-0.054	.308**	.267**	.c	.c	0.051	-0.115	1															
10	External Uncertainty	0.740	0.081	-0.021	-.105*	0.014	-.121**	.149**	0.035	-0.035	-0.013	0.004	1														
11	Regulative Institutional Distance	0.631	0.601	0.023	0.094	-0.037	.106*	-.121**	0.010	0.076	0.080	-.127*	-.441**	1													
12	Normative Institutional Distance	0.629	0.546	0.064	0.070	-0.051	0.079	-.134**	0.019	0.078	0.026	-.143*	-.166**	.668**	1												
13	Cognitive Institutional Distance	2.094	1.695	0.072	0.071	0.001	0.059	-.145**	-0.035	.096*	0.085	-0.005	-.194**	.469**	.426**	1											
14	Economic Development of Host Country	2.147	2.624	0.002	0.014	-0.073	0.061	0.058	0.039	-0.019	.139**	-0.019	-0.074	.317**	0.013	.229**	1										
15	DE Country Dummy	0.190	0.391	.101*	0.085	0.084	0.038	.091*	.091*	-0.030	-.108*	0.088	-0.024	-.097*	-.131**	-.149**	-0.017	1									
16	ES Country Dummy	0.050	0.227	0.013	-0.037	-0.059	-0.064	0.044	-0.047	0.034	-0.021	-.123*	-0.018	0.024	0.035	-0.089	0.054	-.115*	1								
17	FR Country Dummy	0.180	0.386	-0.040	0.086	-0.002	.126**	0.008	-0.009	-0.042	0.067	-0.086	-0.039	0.078	0.045	-0.076	0.015	-.226**	-.113*	1							
18	GB Country Dummy	0.210	0.407	0.014	.122*	0.003	-0.058	0.019	0.070	0.050	0.021	-0.096	0.009	-0.024	-.162**	0.090	0.073	-.247**	-.124**	-.243**	1						
19	IE Country Dummy	0.060	0.231	-.163**	-0.065	-0.022	-0.065	-0.079	-0.019	-0.084	-0.010	.224**	.108*	-.134**	-.162**	-.112*	-0.011	-.118**	-0.059	-.115*	-.126**	1					
20	IT Country Dummy	0.050	0.219	-0.039	-0.014	-0.056	0.012	-0.012	0.051	0.041	0.098	-0.043	0.030	0.078	.223**	-0.010	-0.065	-.111*	-0.055	-.108*	-.119**	-0.056	1				
21	NL Country Dummy	0.090	0.290	0.065	-.117*	0.042	-0.030	-0.032	-0.056	.095*	0.019	.118*	-0.019	0.032	0.065	.140**	-.095*	-.154**	-0.077	-.151**	-.165**	-0.078	-0.074	1			
22	SE Country Dummy	0.050	0.227	0.013	-0.068	-0.020	.114*	-0.078	-0.078	-0.024	-0.082	0.043	0.020	-0.001	.153**	.151**	-0.013	-.115*	-0.058	-.113*	-.124**	-0.059	-0.055	-0.077	1		
23	Size WOS	1996.817	3239.492	.159**	.422**	-0.027	0.071	0.049	-0.077	-0.019	0.049	0.057	-0.038	0.001	0.025	0.065	-0.031	0.021	-0.011	0.014	-0.005	-0.034	-0.044	0.002	-0.013	1	
24	Size JV	5281.800	12446.319	-0.009	.343**	-0.095	.115*	.140**	.144**	-0.021	.116*	-0.051	0.081	0.039	0.095	0.006	0.020	0.069	0.038	0.000	.095*	-0.091	0.041	-0.059	-0.055	.170**	1

Table 5 (Contd.)
Means, Standard Deviations and Correlations

	Variables	*Mean*	*SD*	*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*	*11*	*12*	*13*	*14*	*15*	*16*	*17*	*18*	*19*	*20*	*21*	*22*	*23*	*24*
	Independent Variables																										
25	Frequency WOS	157.490	226.645	.165**	.357**	0.032	0.035	.213**	0.087	-.124**	0.015	0.039	-0.035	-.089*	-.114*	-0.072	0.031	.432**	0.035	-.126**	-0.030	-0.082	-.097*	-.091*	-.102*	.250**	.247**
26	Geographical Diversity WOS	28.640	24.945	.207**	.425**	.239**	0.016	-0.036	-0.077	-.133**	-0.097	.147**	-.174**	0.045	-0.012	.122**	-0.051	.247**	-0.046	-0.050	0.035	-.132**	-.125**	-0.034	-0.016	.255**	0.068
27	Host Country Experience WOS	25.820	32.586	0.087	0.015	.130**	-0.023	.099*	-0.068	-.102*	-.115*	0.052	-0.001	-.287**	-.141**	-.100*	-.150**	.114*	-0.040	0.036	-0.041	-0.057	-0.089	0.010	0.007	0.098	-0.034
28	General Int'l Experience WOS	81.190	50.770	.131**	.133**	.119**	0.046	.134**	-0.037	-0.066	-0.056	0.068	-0.045	-0.056	-.102*	0.081	0.031	.149**	-0.038	-0.010	0.071	-0.028	-.145**	-0.072	-0.058	.152**	0.050
29	Function WOS	30.830	51.866	.132*	.420**	0.009	0.086	.113*	.106*	-.103*	.144**	0.037	-.161**	0.009	0.016	0.064	-0.094	.252**	0.012	-0.029	-0.046	-0.075	-0.027	-0.071	-0.086	.364**	.131*
30	Recentness WOS	9.790	14.065	.162**	.339**	-0.044	0.011	0.068	0.018	-0.071	0.035	-0.072	-0.052	-0.069	-0.039	-0.029	-0.030	.302**	.215**	-.117**	-0.048	-.100*	-.096*	-.093*	-.101*	.207**	.260**
31	Average Performance WOS	4.415	7.936	0.001	-0.048	.183**	-0.047	-0.026	-.149**	-0.001	-0.080	.182**	0.029	0.011	0.054	.109*	-0.053	0.019	-.093*	-0.012	0.038	0.046	-0.075	-0.008	0.084	-0.063	-.163**
32	Recent Performance WOS	0.700	13.492	0.042	-0.015	.223**	-0.059	0.014	-.099*	-0.038	-0.009	0.105	-0.039	0.000	-0.088	0.055	0.083	0.002	0.030	-0.026	-0.012	.121*	-.156**	0.007	0.035	0.075	-0.033
33	Frequency JV	92.760	167.683	-.187**	.203**	-0.058	-0.074	0.031	0.035	-0.087	.151**	-0.031	0.054	-0.080	-.095*	-.116*	0.007	0.041	.171**	-0.064	0.011	.181**	0.038	-.116**	-.091*	0.014	.232**
34	Geographical Diversity JV	19.830	18.531	-.156**	.379**	-0.003	-0.074	0.032	-0.010	-.111*	0.086	0.060	-0.006	-0.052	-.135**	-0.058	0.016	.090*	0.028	0.002	0.016	.282**	-0.032	-.159**	-.096*	.136**	.174**
35	Host Country Experience JV	18.470	35.539	-.254**	0.046	-0.014	-.111*	0.065	0.042	-0.044	0.039	-0.075	0.053	-.132**	-0.067	-.161**	-.106*	0.006	0.078	-0.004	-0.013	0.003	0.074	-0.014	-0.019	0.006	.183**
36	General Int'l Experience JV	81.000	67.853	-.123**	.148**	-0.035	-0.024	.213**	.239**	-.098*	.130*	-0.001	-0.053	-0.040	-.090*	-0.072	0.020	.175**	-0.006	-0.009	0.036	0.012	0.009	-.112*	-0.076	0.035	.311**
37	Function JV	18.540	63.875	-.119*	.154**	-0.046	-0.049	0.018	0.071	-0.044	.202**	-0.069	-0.013	-0.041	-0.050	-0.025	-0.020	0.012	0.004	-0.046	0.089	0.028	0.057	-0.059	-0.048	0.012	0.079
38	Recentness JV	6.190	13.251	-.143**	.164**	-0.054	-0.072	0.018	0.030	-0.071	.159**	-0.047	0.042	-0.048	-0.007	-.093*	-0.015	0.031	.318**	-0.057	-0.056	0.064	0.052	-.094*	-0.057	-0.019	.294**
39	Average Performance JV	5.289	9.272	0.015	-0.002	0.087	0.015	0.068	-0.061	0.000	-.147**	-0.026	.097*	0.021	0.016	0.069	0.042	0.019	0.011	-0.025	.097*	-0.014	-0.013	-0.014	-0.039	-0.044	-0.078
40	Recent Performance JV	-0.349	14.395	0.008	0.015	0.089	0.036	-0.065	-0.082	0.078	-0.064	-0.021	0.085	-0.003	-0.018	-0.004	-0.033	0.009	0.016	-0.056	0.007	0.082	0.036	-0.032	0.004	-0.011	0.046

Table 5 (Contd.)
Means, Standard Deviations and Correlations

	Variables	*25*	*26*	*27*	*28*	*29*	*30*	*31*	*32*	*33*	*34*	*35*	*36*	*37*	*38*	*39*	*40*
	Independent Variables																
25	Frequency WOS	1															
26	Geographical Diversity WOS	.698**	1														
27	Host Country Experience WOS	.414**	.435**	1													
28	General Int'l Experience WOS	.467**	.523**	.405**	1												
29	Function WOS	.799**	.594**	.347**	.386**	1											
30	Recentness WOS	.778**	.600**	.289**	.318**	.707**	1										
31	Average Performance WOS	-0.018	.118*	0.095	0.056	-0.006	-0.069	1									
32	Recent Performance WOS	.103*	.164**	0.065	0.076	0.052	.105*	.344**	1								
33	Frequency JV	.370**	.193**	0.039	.105*	.213**	.413**	-0.038	0.084	1							
34	Geographical Diversity JV	.506**	.473**	.153**	.325**	.421**	.453**	0.011	.128**	.754**	1						
35	Host Country Experience JV	.162**	0.066	.260**	0.052	0.087	.129**	-0.033	-0.054	.293**	.250**	1					
36	General Int'l Experience JV	.510**	.258**	.241**	.394**	.370**	.353**	0.010	0.044	.414**	.482**	.414**	1				
37	Function JV	.196**	0.087	.125*	0.043	.214**	.154**	-0.009	-0.006	.864**	.482**	.180**	.258**	1			
38	Recentness JV	.310**	.146**	0.008	0.039	.220**	.499**	-0.036	0.056	.889**	.575**	.278**	.310**	.712**	1		
39	Average Performance JV	0.035	.130**	.102*	.148**	0.034	-0.007	.268**	0.060	-0.006	0.054	-0.022	0.084	0.005	-0.061	1	
40	Recent Performance JV	0.036	0.062	-0.051	0.088	0.029	-0.004	.245**	0.061	.112*	.120*	0.029	-0.003	0.078	0.093	.390**	1

Entry Mode was coded as 1 for wholly-owned subsidiary and 0 for joint venture.
*p < 0.05; ** p < 0.01.
c Cannot be computed because at least one of the variables is constant.

Prior to the testing of the EMP theory, a correlation table was prepared to identify probable signs of multicollinearity. Table 5 contains descriptive statistics and correlations for dependent, independent and control variables used in the study. As observed in Table 5, the large magnitude of the standard deviation suggests that substantial variability exists in control variables namely Firm Size, Size WOS and Size JV as well as in independent variables including Frequency WOS, General International Experience WOS, Frequency JV and Function JV. Additionally, statistics reveal high correlations among several pairs of predictors; between Frequency WOS and Geographical Diversity WOS (r = 0.698**); Frequency WOS and Function WOS (r = 0.799**); Frequency JV and Geographical Diversity JV (r = 0.754**); Recentness JV and Function JV (r = 0.712**) and Geographical Diversity JV and Recentness JV (r = 0.575**). Therefore, several independent variables were highly correlated with other predictors giving rise to multicollinearity.

The statistical significance (at 0.01 level or more) and the large magnitude of correlations warrant concerns. A correlation coefficient of 0.70 has a pivotal effect on the estimation of results from a regression model (Hair, et. al, 2014). In particular, multicollinearity reduces the predictive ability of an independent variable and effects regression coefficients and statistical significance tests (Hair, et. al, 2014). The individual importance of a predictor becomes less distinguishable due to an increase in the shared variance and a decrease in the unique variance explained by each independent variable (Hair et. al, 2014; Field, 2013). In order to address these collinearity issues, logarithmic transformation of variables was performed. Table 4 presents descriptive statistics of all variables including logarithmically transformed variable.

Table 6
Means, Standard Deviations and Correlations After Log Transformation

	Variables	*Mean*	*SD*	*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*	*11*	*12*	*13*	*14*	*15*	*16*	*17*	*18*	*19*	*20*	*21*	*22*	*23*	*24*
	Dependent Variable																										
1	Latest Entry Mode	0.640	0.480	1																							
	Control Variables																										
2	Firm Size	89355.720	115431.180	0.063	1																						
3	SIC 28 Dummy	0.060	0.231	0.001	-.097*	1																					
4	SIC 37 Dummy	0.070	0.249	0.082	.156**	-0.065	1																				
5	SIC 60 Dummy	0.090	0.293	-0.016	-0.018	-0.079	-0.086	1																			
6	SIC 63 Dummy	0.090	0.293	-0.031	-.130**	-0.079	-0.086	-.105*	1																		
7	SIC 67 Dummy	0.100	0.307	0.037	-0.046	-0.084	-.091*	-.111*	-.111*	1																	
8	Relatedness of Investment	0.360	0.480	-.112*	0.033	-0.092	-.113*	.203**	.306**	-0.048	1																
9	Asset Specificity	0.018	0.034	-0.016	-0.054	.308**	.267**	.c	.c	0.051	-0.115	1															
10	External Uncertainty	0.740	0.081	-0.021	-.105*	0.014	-.121**	.149**	0.035	-0.035	-0.013	0.004	1														
11	Regulative Institutional Distance	0.631	0.601	0.023	0.094	-0.037	.106*	-.121**	0.010	0.076	0.080	-.127*	-.441**	1													
12	Normative Institutional Distance	0.629	0.546	0.064	0.070	-0.051	0.079	-.134**	0.019	0.078	0.026	-.143*	-.166**	.668**	1												
13	Cognitive Institutional Distance	2.094	1.695	0.072	0.071	0.001	0.059	-.145**	-0.035	.096*	0.085	-0.005	-.194**	.469**	.426**	1											
14	Economic Development of Host Country	2.147	2.624	0.002	0.014	-0.073	0.061	0.058	0.039	-0.019	.139**	-0.019	-0.074	.317**	0.013	.229**	1										
15	DE Country Dummy	0.190	0.391	.101*	0.085	0.084	0.038	.091*	.091*	-0.030	-.108*	0.088	-0.024	-.097*	-.131**	-.149**	-0.017	1									
16	ES Country Dummy	0.050	0.227	0.013	-0.037	-0.059	-0.064	0.044	-0.047	0.034	-0.021	-.123*	-0.018	0.024	0.035	-0.089	0.054	-.115*	1								
17	FR Country Dummy	0.180	0.386	-0.040	0.086	-0.002	.126**	0.008	-0.009	-0.042	0.067	-0.086	-0.039	0.078	0.045	-0.076	0.015	-.226**	-.113*	1							
18	GB Country Dummy	0.210	0.407	0.014	.122*	0.003	-0.058	0.019	0.070	0.050	0.021	-0.096	0.009	-0.024	-.162**	0.090	0.073	-.247**	-.124**	-.243**	1						
19	IE Country Dummy	0.060	0.231	-.163**	-0.065	-0.022	-0.065	-0.079	-0.019	-0.084	-0.010	.224**	.108*	-.134**	-.162**	-.112*	-0.011	-.118**	-0.059	-.115*	-.126**	1					
20	IT Country Dummy	0.050	0.219	-0.039	-0.014	-0.056	0.012	-0.012	0.051	0.041	0.098	-0.043	0.030	0.078	.223**	-0.010	-0.065	-.111*	-0.055	-.108*	-.119**	-0.056	1				
21	NL Country Dummy	0.090	0.290	0.065	-.117*	0.042	-0.030	-0.032	-0.056	.095*	0.019	.118*	-0.019	0.032	0.065	.140**	-.095*	-.154**	-0.077	-.151**	-.165**	-0.078	-0.074	1			
22	SE Country Dummy	0.050	0.227	0.013	-0.068	-0.020	.114*	-0.078	-0.078	-0.024	-0.082	0.043	0.020	-0.001	.153**	.151**	-0.013	-.115*	-0.058	-.113*	-.124**	-0.059	-0.055	-0.077	1		
23	Size WOS	1996.817	3239.492	.159**	.422**	-0.027	0.071	0.049	-0.077	-0.019	0.049	0.057	-0.038	0.001	0.025	0.065	-0.031	0.021	-0.011	0.014	-0.005	-0.034	-0.044	0.002	-0.013	1	
24	Size JV	5281.800	12446.319	-0.009	.343**	-0.095	.115*	.140**	.144**	-0.021	.116*	-0.051	0.081	0.039	0.095	0.006	0.020	0.069	0.038	0.000	.095*	-0.091	0.041	-0.059	-0.055	.170**	1

Table 6 (Contd.)
Means, Standard Deviations and Correlations After Log Transformation

	Variables	*Mean*	*SD*	*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*	*11*	*12*	*13*	*14*	*15*	*16*	*17*	*18*	*19*	*20*	*21*	*22*	*23*	*24*
	Independent Variables																										
25	Logged Frequency WOS	4.066	1.581	.215**	.336**	.133**	0.060	.102*	-0.013	-.128**	-0.025	0.064	-.134**	-0.016	-0.031	0.027	-0.048	.286**	0.025	-0.052	0.032	-.147**	-.099*	-0.052	-.100*	.295**	.173**
26	Geographical Diversity WOS	28.640	24.945	.207**	.425**	.239**	0.016	-0.036	-0.077	-.133**	-0.097	.147**	-.174**	0.045	-0.012	.122**	-0.051	.247**	-0.046	-0.050	0.035	-.132**	-.125**	-0.034	-0.016	.255**	0.068
27	Host Country Experience WOS	25.820	32.586	0.087	0.015	.130**	-0.023	.099*	-0.068	-.102*	-.115*	0.052	-0.001	-.287**	-.141**	-.100*	-.150**	.114*	-0.040	0.036	-0.041	-0.057	-0.089	0.010	0.007	0.098	-0.034
28	General Int'l Experience WOS	81.190	50.770	.131**	.133**	.119**	0.046	.134**	-0.037	-0.066	-0.056	0.068	-0.045	-0.056	-.102*	0.081	0.031	.149**	-0.038	-0.010	0.071	-0.028	-.145**	-0.072	-0.058	.152**	0.050
29	Function WOS	30.830	51.866	.132*	.420**	0.009	0.086	.113*	.106*	-.103*	.144**	0.037	-.161**	0.009	0.016	0.064	-0.094	.252**	0.012	-0.029	-0.046	-0.075	-0.027	-0.071	-0.086	.364**	.131*
30	Logged Recentness WOS	4.304	1.775	.190**	.275**	-0.033	0.033	0.085	0.081	-0.066	0.055	0.028	-0.045	-0.080	-0.078	-0.031	-0.007	.279**	.184**	-.099*	0.033	-.151**	-.119*	-.099*	-0.082	.268**	.225**
31	Average Performance WOS	4.415	7.936	0.001	-0.048	.183**	-0.047	-0.026	-.149**	-0.001	-0.080	.182**	0.029	0.011	0.054	.109*	-0.053	0.019	-.093*	-0.012	0.038	0.046	-0.075	-0.008	0.084	-0.063	-.163**
32	Recent Performance WOS	0.700	13.492	0.042	-0.015	.223**	-0.059	0.014	-.099*	-0.038	-0.009	0.105	-0.039	0.000	-0.088	0.055	0.083	0.002	0.030	-0.026	-0.012	.121*	-.156**	0.007	0.035	0.075	-0.033
33	Logged Frequency JV	3.526	1.481	-.157**	.319**	-0.021	-0.063	.095*	0.014	-.108*	0.096	0.011	-0.029	-.098*	-.152**	-.121**	-0.054	.118**	0.083	0.003	0.000	.201**	0.042	-.159**	-.095*	.167**	.242**
34	Geographical Diversity JV	19.830	18.531	-.156**	.379**	-0.003	-0.074	0.032	-0.010	-.111*	0.086	0.060	-0.006	-0.052	-.135**	-0.058	0.016	.090*	0.028	0.002	0.016	.282**	-0.032	-.159**	-.096*	.136**	.174**
35	Host Country Experience JV	18.470	35.539	-.254**	0.046	-0.014	-.111*	0.065	0.042	-0.044	0.039	-0.075	0.053	-.132**	-0.067	-.161**	-.106*	0.006	0.078	-0.004	-0.013	0.003	0.074	-0.014	-0.019	0.006	.183**
36	General Int'l Experience JV	81.000	67.853	-.123**	.148**	-0.035	-0.024	.213**	.239**	-.098*	.130*	-0.001	-0.053	-0.040	-.090*	-0.072	0.020	.175**	-0.006	-0.009	0.036	0.012	0.009	-.112*	-0.076	0.035	.311**
37	Function JV	18.540	63.875	-.119*	.154**	-0.046	-0.049	0.018	0.071	-0.044	.202**	-0.069	-0.013	-0.041	-0.050	-0.025	-0.020	0.012	0.004	-0.046	0.089	0.028	0.057	-0.059	-0.048	0.012	0.079
38	Logged Recentness JV	4.788	1.477	-.165**	.138*	-0.045	-0.091	0.076	.105*	-0.065	.196**	0.006	0.072	-0.098	-0.059	-.128*	0.036	0.085	.230**	-.119*	-0.051	.140**	0.071	-.115*	-0.080	0.042	.283**
39	Average Performance JV	5.289	9.272	0.015	-0.002	0.087	0.015	0.068	-0.061	0.000	-.147**	-0.026	.097*	0.021	0.016	0.069	0.042	0.019	0.011	-0.025	.097*	-0.014	-0.013	-0.014	-0.039	-0.044	-0.078
40	Recent Performance JV	-0.349	14.395	0.008	0.015	0.089	0.036	-0.065	-0.082	0.078	-0.064	-0.021	0.085	-0.003	-0.018	-0.004	-0.033	0.009	0.016	-0.056	0.007	0.082	0.036	-0.032	0.004	-0.011	0.046

Table 6 (Contd.)
Means, Standard Deviations and Correlations After Log Transformation

	Variables	*25*	*26*	*27*	*28*	*29*	*30*	*31*	*32*	*33*	*34*	*35*	*36*	*37*	*38*	*39*	*40*
	Independent Variables																
25	Logged Frequency WOS	1															
26	Geographical Diversity WOS	.811**	1														
27	Host Country Experience WOS	.473**	.435**	1													
28	General Int'l Experience WOS	.573**	.523**	.405**	1												
29	Function WOS	.617**	.594**	.347**	.386**	1											
30	Logged Recentness WOS	.802**	.641**	.317**	.379**	.609**	1										
31	Average Performance WOS	0.020	.118*	0.095	0.056	-0.006	-0.097	1									
32	Recent Performance WOS	0.071	.164**	0.065	0.076	0.052	0.084	.344**	1								
33	Logged Frequency JV	.537**	.407**	.190**	.332**	.409**	.507**	-0.045	0.057	1							
34	Geographical Diversity JV	.438**	.473**	.153**	.325**	.421**	.446**	0.011	.128**	.848**	1						
35	Host Country Experience JV	.139**	0.066	.260**	0.052	0.087	.102*	-0.033	-0.054	.357**	.250**	1					
36	General Int'l Experience JV	.380**	.258**	.241**	.394**	.370**	.338**	0.010	0.044	.543**	.482**	.414**	1				
37	Function JV	.164**	0.087	.125*	0.043	.214**	0.083	-0.009	-0.006	.423**	.482**	.180**	.258**	1			
38	Logged Recentness JV	.302**	.162**	0.033	.116*	.289**	.425**	-.114*	0.055	.789**	.645**	.239**	.392**	.457**	1		
39	Average Performance JV	.093*	.130**	.102*	.148**	0.034	0.049	.268**	0.060	-0.004	0.054	-0.022	0.084	0.005	-0.011	1	
40	Recent Performance JV	0.006	0.062	-0.051	0.088	0.029	0.007	.245**	0.061	0.071	.120*	0.029	-0.003	0.078	.144*	.390**	1

Entry Mode was coded as 1 for wholly-owned subsidiary and 0 for joint venture.
*p < 0.05; ** p < 0.01.
c Cannot be computed because at least one of the variables is constant.

Data transformation reduces undesirable attributes of variables and alleviates problems arising due to skewness, lack of linearity, unequal variances and violations of statistical assumptions in regression estimations (Field, 2013; Hair et. al, 2014). Prior studies have utilized logarithmic specifications to reduce similar concerns pertaining to autocorrelation, outliers, normality and heteroscedasticity (Nadolska & Barkema, 2014; Meschi & Metais, 2013; Delios & Beamish, 2001; Lopez-Duarte & Vidal- Suarez, 2008; Pangarkar, 2009; Kaynak, et. al, 2007; Mudambi & Zahra, 2007; Wang & Kafouros, 2009).

In the empirical analysis of the EMP theory, logarithmic transformation was carried out to circumvent collinearity problems. Logarithmic transformation creates a transformed variable that is more appropriate for a multivariate technique as well as for a representation of a relationship (Hair et. al, 2014). Since Frequency WOS (JV) and Recentness WOS (JV) were highly correlated to other independent variables as observed in the Table 5, logarithmic transformation of these variables was carried out. Particularly, I computed a Logged Frequency WOS (JV) variable using the logarithmic transformation of the Frequency WOS (JV) i.e. the total number of preceding WOSs (JVs) established by a parent firm outside its home country prior to its most recent entry. In the similar vein, Recentness WOS (JV) variable was transformed i.e. the number of international WOSs (JVs) established by a firm over the period of five years before the firm's most recent entry to estimate Logged Recentness WOS (JV) variable. In sum, four logarithmically transformed variables namely Logged Frequency WOS, Logged Frequency JV, Logged Recentness WOS and Logged Recentness JV were utilized to mitigate the concerns of collinearity.

The evidence of high correlations among logarithmically transformed variables and other predictors could be observed in Table 6. For instance, correlation coefficients between Logged Frequency WOS and Geographical Diversity WOS (r = 0.81**), Logged Frequency

WOS and Logged Recentness WOS (r = 0.802**), Logged Frequency JV and Geographical Diversity JV (r = 0.848**) and Logged Recentness JV and Geographical Diversity JV (r = 0.645**) were still large enough which suggests that the issue of multicollinearity remains unresolved even after logarithmic transformation. Therefore, original variables Frequency WOS, Frequency JV, Recentness WOS Recentness JV were used for subsequent empirical analysis.

Another key issue revealed from frequency analysis was the high number of missing values of several variables. In particular, data set comprised of 496 observations; however, there were only 62.7%, 91.1%, 82.6%, 89.3% and 77.6% of the total values available for Asset Specificity, Average Performance WOS, Recent Performance WOS, Average Performance JV and Recent Performance JV respectively. Given the large percentage of missing values, mean substitution was employed in order to control their influence on logistic regression analysis.

For asset specificity, industry mean substitution was carried out. The asset specificity of the firm was measured through R&D intensity value for the year before the most recent entry. The first digit of the SIC Core Code of the firm with missing R&D intensity value was determined. Following that, the average of R&D intensity values for firms with the same first digit of SIC Core Code as that of the firm with missing value of R&D intensity was computed. This average value was then used to substitute the missing values of R&D intensity for firms that had the same first digit of SIC Core Code as used initially. This procedure was repeated for other firms with missing R&D intensity values. Likewise, the concern of missing data of performance-related variables was alleviated. Specifically, the mean of all available values of Average Performance WOS variable was computed and substituted for missing values of Average Performance WOS variable. Employing the same

procedure, average substitution was carried out for Recent Performance WOS, Average Performance JV and Recent Performance JV variables.

Further, a correlation table (Table 7) was prepared that comprised of original frequency and recentness variables i.e. before logarithmic transformation, mean substituted Asset Specificity, Average Performance WOS, Recent Performance WOS, Average Performance JV, Recent Performance JV and remaining predictors.

Table 7 revealed that high correlations among several pairs of independent variables still persisted. For WOS-specific variables, large correlations were observed for Frequency WOS and Geographical Diversity WOS (r = 0.698**); Frequency WOS and Function WOS (r = 0.799**); Function WOS and Geographical Diversity WOS (r = 0.59**); Recentness WOS and Function WOS (r = 0.707**); Recentness WOS and Frequency WOS (r = 0.778**) and Recentness WOS and Geographical diversity WOS (r = 0.6**). Likewise, the evidence of high correlations was noticeable for JV-specific variables particularly for Frequency JV and Geographical Diversity JV (r = 0.754**); Recentness JV and Function JV (r = 0.712**); Geographical Diversity JV and Recentness JV (r = 0.575**); Function JV and Frequency JV (r = 0.86**) and Recentness JV and Frequency JV (r = 0.889**).

In sum, correlation matrix (Table 7) revealed a number of moderate to high correlations among distinct dimensions of the EMP theory i.e. WOS- and JV-related experience attributes. This suggests the existence of probable conceptual and statistical overlap among several characteristics of entry mode experience. The need to manage and group these highly correlated predictors was critical. Therefore, before testing the hypotheses, an attempt was made to validate and identify parsimonious set of variables that underpin the EMP perspective. Principal Component Analysis (PCA) was performed to extract underlying constructs and identify probable structural relationships among distinct

experience-related variables (Hairs, et. al, 2014).

Table 7
Means, Standard Deviations and Correlations After Mean Substitution

	Variables	*Mean*	*SD*	*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*	*11*	*12*	*13*	*14*	*15*	*16*	*17*	*18*	*19*	*20*	*21*	*22*	*23*	*24*
	Dependent Variable																										
1	Latest Entry Mode	0.640	0.480	1																							
	Control Variables																										
2	Firm Size	89355.720	115431.180	0.063	1																						
3	SIC 28 Dummy	0.060	0.231	0.001	-.097*	1																					
4	SIC 37 Dummy	0.070	0.249	0.082	.156**	-0.065	1																				
5	SIC 60 Dummy	0.090	0.293	-0.016	-0.018	-0.079	-0.086	1																			
6	SIC 63 Dummy	0.090	0.293	-0.031	-.130**	-0.079	-0.086	-.105*	1																		
7	SIC 67 Dummy	0.100	0.307	0.037	-0.046	-0.084	-.091*	-.111*	-.111*	1																	
8	Relatedness of Investment	0.360	0.480	-.112*	0.033	-0.092	-.113*	.203**	.306**	-0.048	1																
9	Asset Specificity	0.024	0.028	-0.017	-0.071	.243**	.228**	.115*	.115*	.122**	-0.023	1															
10	External Uncertainty	0.740	0.081	-0.021	-.105*	0.014	-.121**	.149**	0.035	-0.035	-0.013	0.011	1														
11	Regulative Institutional Distance	0.631	0.601	0.023	0.094	-0.037	.106*	-.121**	0.010	0.076	0.080	-0.074	-.441**	1													
12	Normative Institutional Distance	0.629	0.546	0.064	0.070	-0.051	0.079	-.134**	0.019	0.078	0.026	-.097*	-.166**	.668**	1												
13	Cognitive Institutional Distance	2.094	1.695	0.072	0.071	0.001	0.059	-.145**	-0.035	.096*	0.085	-0.021	-.194**	.469**	.426**	1											
14	Economic Development of Host Country	2.147	2.624	0.002	0.014	-0.073	0.061	0.058	0.039	-0.019	.139**	-0.005	-0.074	.317**	0.013	.229**	1										
15	DE Country Dummy	0.190	0.391	.101*	0.085	0.084	0.038	.091*	.091*	-0.030	-.108*	0.075	-0.024	-.097*	-.131**	-.149**	-0.017	1									
16	ES Country Dummy	0.050	0.227	0.013	-0.037	-0.059	-0.064	0.044	-0.047	0.034	-0.021	-0.085	-0.018	0.024	0.035	-0.089	0.054	-.115*	1								
17	FR Country Dummy	0.180	0.386	-0.040	0.086	-0.002	.126**	0.008	-0.009	-0.042	0.067	-0.063	-0.039	0.078	0.045	-0.076	0.015	-.226**	-.113*	1							
18	GB Country Dummy	0.210	0.407	0.014	.122*	0.003	-0.058	0.019	0.070	0.050	0.021	-0.052	0.009	-0.024	-.162**	0.090	0.073	-.247**	-.124**	-.243**	1						
19	IE Country Dummy	0.060	0.231	-.163**	-0.065	-0.022	-0.065	-0.079	-0.019	-0.084	-0.010	.168**	.108*	-.134**	-.162**	-.112*	-0.011	-.118**	-0.059	-.115*	-.126**	1					
20	IT Country Dummy	0.050	0.219	-0.039	-0.014	-0.056	0.012	-0.012	0.051	0.041	0.098	0.002	0.030	0.078	.223**	-0.010	-0.065	-.111*	-0.055	-.108*	-.119**	-0.056	1				
21	NL Country Dummy	0.090	0.290	0.065	-.117*	0.042	-0.030	-0.032	-0.056	.095*	0.019	0.061	-0.019	0.032	0.065	.140**	-.095*	-.154**	-0.077	-.151**	-.165**	-0.078	-0.074	1			
22	SE Country Dummy	0.050	0.227	0.013	-0.068	-0.020	.114*	-0.078	-0.078	-0.024	-0.082	0.022	0.020	-0.001	.153**	.151**	-0.013	-.115*	0.058	-.113*	-.124**	-0.059	-0.055	-0.077	1		
23	Size WOS	1996.817	3239.492	.159**	.422**	-0.027	0.071	0.049	-0.077	-0.019	0.049	0.031	-0.038	0.001	0.025	0.065	-0.031	0.021	-0.011	0.014	-0.005	-0.034	-0.044	0.002	-0.013	1	
24	Size JV	5281.800	12446.319	-0.009	.343**	-0.095	.115*	.140**	.144**	-0.021	.116*	0.005	0.081	0.039	0.095	0.006	0.020	0.069	0.038	0.000	.095*	-0.091	0.041	-0.059	-0.055	.170**	1

Table 7 (Contd.)
Means, Standard Deviations and Correlations After Mean Substitution

	Variables	*Mean*	*SD*	*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*	*11*	*12*	*13*	*14*	*15*	*16*	*17*	*18*	*19*	*20*	*21*	*22*	*23*	*24*
	Independent Variables																										
25	Frequency WOS	157.490	226.640	.165**	.357**	0.032	0.035	.213**	0.087	-.124**	0.015	0.038	-0.035	-.089*	-.114*	-0.072	0.031	.432**	0.035	-.126**	-0.030	-0.082	-.097*	-.091*	-.102*	.250**	.247**
26	Geographical Diversity WOS	28.640	24.945	.207**	.425**	.239**	0.016	-0.036	-0.077	-.133**	-0.097	0.077	-.174**	0.045	-0.012	.122**	-0.051	.247**	-0.046	-0.050	0.035	-.132**	-.125**	-0.034	-0.016	.255**	0.068
27	Host Country Experience WOS	25.820	32.586	0.087	0.015	.130**	-0.023	.099*	-0.068	-.102*	-.115*	0.017	-0.001	-.287**	-.141**	-.100*	-.150**	.114*	-0.040	0.036	-0.041	-0.057	-0.089	0.010	0.007	0.098	-0.034
28	General Int'l Experience WOS	81.190	50.770	.131**	.133**	.119**	0.046	.134**	-0.037	-0.066	-0.056	0.040	-0.045	-0.056	-.102*	0.081	0.031	.149**	-0.038	-0.010	0.071	-0.028	-.145**	-0.072	-0.058	.152**	0.050
29	Function WOS	30.830	51.866	.132*	.420**	0.009	0.086	.113*	.106*	-.103*	.144**	0.033	-.161**	0.009	0.016	0.064	-0.094	.252**	0.012	-0.029	-0.046	-0.075	-0.027	-0.071	-0.086	.364**	.131*
30	Recentness WOS	9.790	14.065	.162**	.339**	-0.044	0.011	0.068	0.018	-0.071	0.035	-0.072	-0.052	-0.069	-0.039	-0.029	-0.030	.302**	.215**	-.117**	-0.048	-.100*	-.096*	-.093*	-.101*	.207**	.260**
31	Average Performance WOS	4.415	7.575	0.001	-0.048	.182**	-0.045	-0.025	-.138**	-0.001	-0.076	.097*	0.027	0.011	0.051	.105*	-0.050	0.019	-.091*	-0.012	0.035	0.040	-0.073	-0.007	0.076	-0.063	-.163**
32	Recent Performance WOS	0.700	12.264	0.038	-0.013	.210**	-0.054	0.013	-.092*	-0.035	-0.011	0.045	-0.035	0.000	-0.080	0.051	0.075	0.002	0.029	-0.024	-0.010	.107*	-.133**	0.006	0.033	0.072	-0.032
33	Frequency JV	92.760	167.683	-.187**	.203**	-0.058	-0.074	0.031	0.035	-0.087	.151**	-0.040	0.054	-0.080	-.095*	-.116*	0.007	0.041	.171**	-0.064	0.011	.181**	0.038	-.116**	-.091*	0.014	.232**
34	Geographical Diversity JV	19.830	18.531	-.156**	.379**	-0.003	-0.074	0.032	-0.010	-.111*	0.086	0.017	-0.006	-0.052	-.135**	-0.058	0.016	.090*	0.028	0.002	0.016	.282**	-0.032	-.159**	-.096*	.136**	.174**
35	Host Country Experience JV	18.470	35.539	-.254**	0.046	-0.014	-.111*	0.065	0.042	-0.044	0.039	-0.045	0.053	-.132**	-0.067	-.161**	-.106*	0.006	0.078	-0.004	-0.013	0.003	0.074	-0.014	-0.019	0.006	.183**
36	General Int'l Experience JV	81.000	67.853	-.123**	.148**	-0.035	-0.024	.213**	.239**	-.098*	.130*	0.042	-0.053	-0.040	-.090*	-0.072	0.020	.175**	-0.006	-0.009	0.036	0.012	0.009	-.112*	-0.076	0.035	.311**
37	Function JV	18.540	63.875	-.119*	.154**	-0.046	-0.049	0.018	0.071	-0.044	.202**	-0.059	-0.013	-0.041	-0.050	-0.025	-0.020	0.012	0.004	-0.046	0.089	0.028	0.057	-0.059	-0.048	0.012	0.079
38	Recentness JV	6.190	13.251	-.143**	.164**	-0.054	-0.072	0.018	0.030	-0.071	.159**	-0.051	0.042	-0.048	-0.007	-.093*	-0.015	0.031	.318**	-0.057	-0.056	0.064	0.052	-.094*	-0.057	-0.019	.294**
39	Average Performance JV	-0.349	12.678	0.015	-0.004	0.086	0.014	0.067	-0.054	0.000	-.138**	-0.029	.089*	0.020	0.015	0.066	0.039	0.019	0.010	-0.023	.091*	-0.013	-0.012	-0.013	-0.036	-0.044	-0.078
40	Recent Performance JV	5.289	8.762	0.007	0.012	0.079	0.032	-0.060	-0.073	0.072	-0.056	-0.029	0.072	-0.003	-0.016	-0.004	-0.029	0.008	0.014	-0.049	0.006	0.072	0.031	-0.028	0.004	-0.009	0.045

Table 7 (Contd.)
Means, Standard Deviations and Correlations After Mean Substitution

	Variables	*25*	*26*	*27*	*28*	*29*	*30*	*31*	*32*	*33*	*34*	*35*	*36*	*37*	*38*	*39*	*40*
	Independent Variables																
25	Frequency WOS	1															
26	Geographical Diversity WOS	.698**	1														
27	Host Country Experience WOS	.414**	.435**	1													
28	General Int'l Experience WOS	.467**	.523**	.405**	1												
29	Function WOS	.799**	.594**	.347**	.386**	1											
30	Recentness WOS	.778**	.600**	.289**	.318**	.707**	1										
31	Average Performance WOS	-0.018	.113*	.092*	0.053	-0.006	-0.068	1									
32	Recent Performance WOS	.099*	.156**	0.062	0.071	0.045	.102*	.295**	1								
33	Frequency JV	.370**	.193**	0.039	.105*	.213**	.413**	-0.037	0.068	1							
34	Geographical Diversity JV	.506**	.473**	.153**	.325**	.421**	.453**	0.011	.118**	.754**	1						
35	Host Country Experience JV	.162**	0.066	.260**	0.052	0.087	.129**	-0.028	-0.048	.293**	.250**	1					
36	General Int'l Experience JV	.510**	.258**	.241**	.394**	.370**	.353**	0.009	0.042	.414**	.482**	.414**	1				
37	Function JV	.196**	0.087	.125*	0.043	.214**	.154**	-0.009	-0.002	.864**	.482**	.180**	.258**	1			
38	Recentness JV	.310**	.146**	0.008	0.039	.220**	.499**	-0.036	0.051	.889**	.575**	.278**	.310**	.712**	1		
39	Average Performance JV	0.035	.124**	.099*	.139**	0.034	-0.007	.244**	0.052	-0.006	0.052	-0.022	0.080	0.005	-0.060	1	
40	Recent Performance JV	0.034	0.050	-0.046	0.075	0.027	-0.003	.231**	0.052	.109*	.109*	0.024	-0.003	0.075	.092*	.343**	1

Entry Mode was coded as 1 for wholly-owned subsidiary and 0 for joint venture.
*p < 0.05; ** p < 0.01.
c Cannot be computed because at least one of the variables is constant.

Essentially, PCA is a statistical technique that explains maximum amount of total variance in a correlation matrix by analysing interrelationships and common underlying dimensions among several variables (Hair et. al, 2014; Field, 2013). In particular, PCA condenses the correlation matrix by transforming original variables into smaller sets of linear components and identifying the contribution of variables to those components (Hair et. al, 2014; Field, 2013). The values of components in the form of linear equations are estimated based upon the values of the constituent variables (Field, 2013).

A PCA was conducted on all WOS and JV - specific independent variables. The inflexion point in scree plot i.e. point at which curve between eigen values and number of components begin to straighten out, suggested the presence of five components (Hair et. al, 2014). Additionally, based on the Kaiser's or latent root criterion i.e. eigen values greater than 1, five components were considered significant (Hair et. al, 2014; Field, 2013). Hence, the convergence of scree plot and Kaiser's criteria yielded five components.

Further, high cross loadings of independent variables i.e. greater than 0.50, were observed on several components that hindered the interpretation of underlying dimensions. Therefore, in order to discriminate among several components, varimax rotation was employed. In particular, varimax rotation loads small number of variables highly on each component and maximizes dispersion of loadings within the components, while keeping components independent or uncorrelated (Field, 2013). Table 8 shows rotated component matrix obtained through varimax rotation. The inspection revealed clean loadings of appropriate magnitude i.e. greater than 0.5 that allows the retention of variables in the measurement of components (Hair et. al, 2014). In sum, varimax rotation led to identification of five observable and meaningful components.

Table 8: Principal Component Analysis

Rotated Component Matrix

Components and Items	1	2	3	4	5
WOS Experience Portfolio					
Frequency WOS	**0.857**	0.366	0.002	0.005	0.120
Geographical Diversity WOS	**0.824**	0.074	0.136	0.184	0.010
Function WOS	**0.791**	0.255	- 0.059	- 0.069	0.050
Recentness WOS	**0.716**	0.457	- 0.120	0.061	- 0.167
General Int'l Experience WOS	**0.628**	- 0.131	0.317	0.000	0.151
Host Country Experience WOS	**0.560**	- 0.077	0.024	0.105	0.503
JV Experience Portfolio					
Frequency JV	0.112	**0.950**	0.056	- 0.001	0.107
Recentness JV	0.060	**0.909**	- 0.039	0.054	- 0.040
Function JV	0.153	**0.801**	- 0.002	- 0.122	0.188
Geographical Diversity JV	0.409	**0.671**	0.150	0.041	0.224
JV Performance Portfolio					
Average Performance JV	0.110	- 0.007	**0.835**	0.091	0.061
Recent Performance JV	0.004	0.106	**0.820**	0.019	- 0.084
WOS Performance Portfolio					
Recent Performance WOS	0.066	0.069	- 0.074	**0.901**	- 0.081
Average Performance WOS	0.065	- 0.147	0.444	**0.708**	0.105
JV Country-Specific Experience Portfolio					
Host Country Experience JV	-0.017	0.218	- 0.020	- 0.027	**0.856**
General Int'l Experience JV	0.414	0.399	0.009	- 0.084	**0.465**
Eigen Values	3.66	3.5	1.74	1.40	1.40
% Variance	22.87	21.88	10.86	8.77	8.74
Cumulative % Variance	22.87	44.75	55.61	64.38	73.12

Rotation Method: Varimax with Kaiser Normalization
Rotation converged in 6 iterations

The first component (Table 8) was named as WOS Experience Portfolio and had substantial loadings from Frequency WOS, Geographical Diversity WOS, Function WOS, Recentness WOS, General International Experience WOS and Host Country Experience WOS. The second component was known as JV Experience Portfolio that encompassed Frequency JV, Recentness JV, Function JV, and Geographical Diversity JV. The third component was termed as JV Performance Portfolio that captures Recent Performance JV and Average Performance JV. Likewise, Recent Performance WOS and Average Performance WOS were combined to determine the fourth component known as the WOS Performance Portfolio.

Finally, the fifth component was named as JV Country Specific Experience Portfolio composed of Host Country Experience JV and General International Experience JV. Between these two variables, Host Country Experience JV had a higher loading than General International Experience JV, therefore, making the former more representative of the component and exerting a greater influence on the name selected for the component. In sum, five components may be summarized as WOS Experience Portfolio, JV Experience Portfolio, WOS Performance Portfolio, JV Performance Portfolio and JV Country Specific Experience Portfolio. Factor scores for these five components were determined using the following equations obtained from PCA and were later utilized in the logistic regressions.

WOS Experience Portfolio = 0.857 (Frequency WOS) + 0.824 (Geographical Diversity WOS) + 0.791 (Function WOS) + 0.716 (Recentness WOS) + 0.628 (General International Experience WOS) + 0.560 (Host Country Experience WOS)

JV Experience Portfolio = 0.950 (Frequency JV) + 0.909 (Recentness JV) + 0.801 (Function JV) + 0.671 (Geographical Diversity JV)

JV Performance Portfolio = 0.835 (Recent Performance JV) + 0.820 (Average Performance JV)

WOS Performance Portfolio = 0.901 (Recent Performance WOS) + 0.708(Average Performance WOS)

JV Country Specific Experience Portfolio = 0.856 (Host Country Experience JV) + 0.465 (General International Experience JV)

The internal consistency of these components was measured using Cronbach's reliability analysis. Internal reliability tests showed strong Cronbach alphas for WOS Experience Portfolio and JV Experience Portfolio components i.e. 0.87 and 0.90 respectively. Additionally, for JV Country Specific Experience Portfolio, the value of Cronbach alpha was 0.59. In sum, for these three components, Cronbach alphas were well within the range of 0.59 to 0.90 i.e. almost higher than the minimum cut off of .60, thereby, providing strong support for their reliability (Hair, et. al, 2014). However, WOS Performance Portfolio and JV Performance Portfolio exhibited low reliability with values of alphas 0.45 and 0.51 respectively. Thus, performance - related components did not satisfy the criteria of minimum level of Cronbach alpha (0.60) for acceptable reliability (Hair, et. al, 2014).

Following PCA with varimax rotation, descriptive statistics and correlation matrix (Table 9) was prepared. In contrast to significant multicollinearity among independent variables observed in previous correlation matrices, Table 7 revealed no evidence of high correlations among five components generated from PCA. Specifically, correlations among several pairs of components were relatively low; ranging from -0.009 to 0.452**. Variance inflation factors (VIF) were also calculated to assess the threat of multicollinearity. The analysis revealed that highest VIF score equalled 2.6 (Regulative Institutional Distance) and all VIF scores were between 1.2 and 2.6 i.e. below the threshold value of 10, indicating that

multicollinearity was not a problem (Hair, et. al, 2014). Subsequently, the dependent variable, five components, and control variables were then regressed using logistic regression analysis.

Table 9
Means, Standard Deviations and Correlations After PCA

	Variables	*Mean*	*SD*	*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*	*11*	*12*	*13*	*14*
	Dependent Variable																
1	Latest Entry Mode	0.640	0.480	1													
	Control Variables																
2	Firm Size	89355.720	115431.180	0.063	1												
3	SIC 28 Dummy	0.060	0.231	0.001	-.097*	1											
4	SIC 37 Dummy	0.070	0.249	0.082	.156**	-0.065	1										
5	SIC 60 Dummy	0.090	0.293	-0.016	-0.018	-0.079	-0.086	1									
6	SIC 63 Dummy	0.090	0.293	-0.031	-.130**	-0.079	-0.086	-.105*	1								
7	SIC 67 Dummy	0.100	0.307	0.037	-0.046	-0.084	-.091*	-.111*	-.111*	1							
8	Relatedness of Investment	0.360	0.480	-.112*	0.033	-0.092	-.113*	.203**	.306**	-0.048	1						
9	Asset Specificity	0.024	0.028	-0.017	-0.071	.243**	.228**	.115*	.115*	.122**	-0.023	1					
10	External Uncertainty	0.740	0.081	-0.021	-.105*	0.014	-.121**	.149**	0.035	-0.035	-0.013	0.011	1				
11	Regulative Institutional Distance	0.631	0.601	0.023	0.094	-0.037	.106*	-.121**	0.010	0.076	0.080	-0.074	-.441**	1			
12	Normative Institutional Distance	0.629	0.546	0.064	0.070	-0.051	0.079	-.134**	0.019	0.078	0.026	-.097*	-.166**	.668**	1		
13	Cognitive Institutional Distance	2.094	1.695	0.072	0.071	0.001	0.059	-.145**	-0.035	.096*	0.085	-0.021	-.194**	.469**	.426**	1	
14	Economic Development of Host Country	2.147	2.624	0.002	0.014	-0.073	0.061	0.058	0.039	-0.019	.139**	-0.005	-0.074	.317**	0.013	.229**	1

Table 9 (Contd.)
Means, Standard Deviations and Correlations After PCA

	Variables	*Mean*	*SD*	*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*	*11*	*12*	*13*	*14*
15	DE Country Dummy	0.190	0.391	.101*	0.085	0.084	0.038	.091*	.091*	-0.030	-.108*	0.075	-0.024	-.097*	-.131**	-.149**	-0.017
16	ES Country Dummy	0.050	0.227	0.013	-0.037	-0.059	-0.064	0.044	-0.047	0.034	-0.021	-0.085	-0.018	0.024	0.035	-0.089	0.054
17	FR Country Dummy	0.180	0.386	-0.040	0.086	-0.002	.126**	0.008	-0.009	-0.042	0.067	-0.063	-0.039	0.078	0.045	-0.076	0.015
18	GB Country Dummy	0.210	0.407	0.014	.122*	0.003	-0.058	0.019	0.070	0.050	0.021	-0.052	0.009	-0.024	-.162**	0.090	0.073
19	IE Country Dummy	0.060	0.231	-.163**	-0.065	-0.022	-0.065	-0.079	-0.019	-0.084	-0.010	.168**	.108*	-.134**	-.162**	-.112*	-0.011
20	IT Country Dummy	0.050	0.219	-0.039	-0.014	-0.056	0.012	-0.012	0.051	0.041	0.098	0.002	0.030	0.078	.223**	-0.010	-0.065
21	NL Country Dummy	0.090	0.290	0.065	-.117*	0.042	-0.030	-0.032	-0.056	.095*	0.019	0.061	-0.019	0.032	0.065	.140**	-.095*
22	SE Country Dummy	0.050	0.227	0.013	-0.068	-0.020	.114*	-0.078	-0.078	-0.024	-0.082	0.022	0.020	-0.001	.153**	.151**	-0.013
23	Size WOS	1996.817	3239.492	.159**	.422**	-0.027	0.071	0.049	-0.077	-0.019	0.049	0.031	-0.038	0.001	0.025	0.065	-0.031
24	Size JV	5281.800	12446.319	-0.009	.343**	-0.095	.115*	.140**	.144**	-0.021	.116*	0.005	0.081	0.039	0.095	0.006	0.020
	Independent Variables																
25	WOS Experience Portfolio	233.550	246.160	.134*	.416**	.130*	0.082	0.046	0.067	-.151**	-0.005	0.072	-.139*	-0.084	-0.047	0.042	-.140*
26	JV Experience Portfolio	99.297	211.843	-.129*	.212**	-0.024	-0.065	-0.008	0.049	-0.066	.169**	-0.059	-0.026	-0.049	-0.046	-0.035	-0.037
27	JV Country Specific Experience Portfolio	53.828	52.589	-.228**	.116*	-0.031	-0.078	.169**	.176**	-0.089	0.104	-0.001	-0.003	-.094*	-.096*	-.140**	-0.047
28	WOS Performance Portfolio	3.757	13.634	0.031	-0.029	.242**	-0.062	0.000	-.129**	-0.028	-0.039	0.074	-0.018	0.004	-0.045	0.082	0.042
29	JV Performance Portfolio	4.046	14.694	0.012	0.008	.099*	0.030	-0.011	-0.079	0.051	-.107*	-0.035	.095*	0.008	-0.004	0.029	-0.002

Table 9 (Contd.)
Means, Standard Deviations and Correlations After PCA

	Variables	*15*	*16*	*17*	*18*	*19*	*20*	*21*	*22*	*23*	*24*	*25*	*26*	*27*	*28*	*29*
15	DE Country Dummy	1														
16	ES Country Dummy	-.115*	1													
17	FR Country Dummy	-.226**	-.113*	1												
18	GB Country Dummy	-.247**	-.124**	-.243**	1											
19	IE Country Dummy	-.118**	-0.059	-.115*	-.126**	1										
20	IT Country Dummy	-.111*	-0.055	-.108*	-.119**	-0.056	1									
21	NL Country Dummy	-.154**	-0.077	-.151**	-.165**	-0.078	-0.074	1								
22	SE Country Dummy	-.115*	-0.058	-.113*	-.124**	-0.059	-0.055	-0.077	1							
23	Size WOS	0.021	-0.011	0.014	-0.005	-0.034	-0.044	0.002	-0.013	1						
24	Size JV	0.069	0.038	0.000	.095*	-0.091	0.041	-0.059	-0.055	.170**	1					
	Independent Variables															
25	WOS Experience Portfolio	.320**	0.027	-0.061	-0.027	-0.061	-.121*	-0.074	-0.098	.315**	.121*	1				
26	JV Experience Portfolio	0.019	0.085	-0.057	0.063	0.065	0.090	-0.087	-0.066	0.012	.162**	.452**	1			
27	JV Country Specific Experience Portfolio	.113*	0.043	-0.009	0.014	0.005	0.046	-0.080	-0.058	0.022	.291**	.353**	.350**	1		
28	WOS Performance Portfolio	0.009	-0.012	-0.024	0.005	.103*	-.136**	0.002	0.056	0.036	-0.090	0.075	0.014	-0.009	1	
29	JV Performance Portfolio	0.015	0.015	-0.047	0.048	0.046	0.016	-0.027	-0.015	-0.028	-0.005	0.082	0.084	0.025	.163**	1

Entry Mode was coded as 1 for wholly-owned subsidiary and 0 for joint venture.
*p < 0.05; ** p < 0.01.
c Cannot be computed because at least one of the variables is constant.

A total of 7 logistic regression models were examined. The results of the logistic regressions models are presented in Table 10. Model 1 is the base model that shows only control variables. Model 2 adds Size WOS and Size JV variables to the base model. Model 3 incorporates three components derived from PCA namely WOS Experience Portfolio, JV Experience Portfolio and JV Country Specific Experience Portfolio. Model 4 introduces JV Performance Portfolio and WOS Performance Portfolio and shows their effect.

Model 5, 6 and 7 explored the interactions between performance composites and aggregated experience components derived from PCA separately. Prior empirical research suggests that the impact of one attribute of experience may be facilitated or weakened by the organizational learning derived from additional facets of experience. In particular, Haleblian's, et. al (2006) study concluded that higher frequency of acquisitions when accompanied with a higher performance of a recent acquisition increased the likelihood of future acquisitions. The positive effect of greater acquisition frequency on firm's propensity to acquire is reinforced by positive performance feedback that signifies the effectiveness of established routines and competencies, thereby, inducing the firm to leverage these routines in subsequent acquisitions. In contrast, poor acquisition performance depreciates the legitimacy of established acquisitions-related routines and induces the managers to modify them (Haleblian, et. al, 2006). The effectiveness of experiential lessons is undermined and firm deviates from its routine-based persistence of employing acquisitions (Haleblian, et. al, 2006). Hence, performance of prior entry modes was found to moderate the effect of frequency on acquisitions.

Taking into account this moderation among attributes of previous entry mode experience, model 5 analyzed the interaction between WOS Experience Portfolio and WOS Performance Portfolio. Model 6 looked at the moderating impact of JV Performance Portfolio

on relationship between JV Experience Portfolio and Latest Entry Mode. The final model 7 examines the interaction between JV Performance Portfolio and JV Country Specific Experience Portfolio. Owing to missing values of several variables, total number of observations for logistic regressions was 227. The results of logistic regressions from model 1 to model 7 are summarized in Table 11.

Model 1, the base model, was significant ($p < .05$). The logistic model with control only variables accounted for 19.7% of the variance in the dependent variable i.e. Latest Entry Mode. The classification rate of the base model is 68.3 per cent that was greater than chance rate of 53.8 per cent. In particular, four control variables were statistically significant namely Firm Size ($p < .05$), SIC 37 Dummy ($p < .10$), Normative Institutional Distance ($p < .05$) and ES Country Dummy ($p < .05$). The signs of logistic coefficient for SIC 37 Dummy, ES Country Dummy and normative institutional distance were positive indicating a positive relationship between these control variables and predicted probability. Specifically, firms primarily engaged in manufacturing of motor vehicles i.e. corresponding to SIC 37 Dummy were more likely to choose wholly-owned subsidiary as the mode of entry. Likewise, increased normative distance between the parent firm's home country and the country of operation of the latest entry enhanced the likelihood of establishment of wholly-owned subsidiary. In addition, a positive coefficient of the ES country dummy ($p < .05$), suggested that Spanish firms had a strong preference for wholly-owned subsidiaries over joint ventures.

In logistic regression model 2, size variables i.e. Size WOS and Size JV were added and findings indicated that this model was statistically significant ($p < .05$) as Model Chi-square value, $\chi 2\ (23) = 37.802$, $p = 0.027$ was significant. In particular, model 2 explained about 21.1 per cent of the variance in the dependent variable and its predictive accuracy was 68.7 per cent. Further, control variables including SIC 37 Dummy ($p < .10$), Normative

Institutional Distance ($p < .05$) and ES Country Dummy ($p < .05$) remained significantly related to entry mode choice as in Model 1. However, the change in the chi-square value from the previous model was very small $\chi 2\ (2) = 2.748$, $p = 0.253$ and non-significant ($p > .10$). In addition, there was just a marginal increase of 0.4 in the classification rate from model 2 to model 1. Therefore, empirical findings suggest that though the logistic model 2 was significant, the inclusion of Size WOS and Size JV variables had no consequential impact on the fit of model.

In model 3, WOS Experience Portfolio, JV Experience Portfolio and JV Country Specific Experience Portfolio were incorporated. Logistics analysis revealed that model 3 was statistically significant ($p < 0.001$) with a high chi-square value of 73.675. The significance of model 3 can be inferred from three statistical measures. First, the chi-square test for the change in the -2LL value determines statistical significance i.e. a lower -2LL value indicates a better fitting model and improvement over earlier models (Hairs, et. al, 2014). For model 3, a reduced -2LL value (220.941) in comparison to model 1 (259.563) and model 2 (256.814) indicates a greater predictive fit. In addition, the change in chi-square from model 2 i.e. $\chi 2\ (3) = 35.873$, is large and significant at the 0.000 level, thereby, corroborating the statistical significance of Model 3. Second, the Nagelkerke R^2_N value of 0.381 revealed that model 3 accounted for approximately more than one-third of the variance (38.1 %) in the dependent variable that is substantially higher than that of model 1 (19.7%) and model 2 (21.1%) respectively. Third, model 3 possessed a greater explanatory power with the classification rate of 75.8 per cent as compared to that of model 1 and model 2 i.e. 68.3 per cent and 68.7 per cent respectively. Additionally, the classification rate of model 3 was greater than chance rate of 53.8 per cent. A higher level of predictive accuracy or hit ratio suggests that model 3 predicts the likelihood of the wholly-owned subsidiary better or correctly classifies a greater percentage of cases than previous models.

Table 10
Logistic Regression Analysis of EMP-Based Entry Mode choice

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7
	Beta	Beta	Beta	Beta	Beta	Beta	Beta
Intercept	-0.589 (1.877)	-1.069 (1.939)	-0.908 (2.156)	-0.720 (2.184)	0.656 (2.200)	-0.720 (2.182)	-0.366 (2.202)
Control Variables							
Firm Size	0.000** (0.000)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)
SIC 28 Dummy	0.806 (0.663)	0.795 (0.667)	0.538 (0.735)	0.498 (0.742)	0.504 (0.742)	0.473 (0.746)	0.428 (0.749)
SIC 37 Dummy	1.377* (0.758)	1.400* (0.766)	1.041 (0.819)	0.939 (0.833)	0.935 (0.834)	0.933 (0.835)	0.892 (0.844)
SIC 60 Dummy	0.209 (0.685)	0.136 (0.686)	-0.006 (0.777)	-0.028 (0.791)	-0.044 (0.797)	-0.046 (0.793)	-0.162 (0.794)
SIC 63 Dummy	0.186 (0.620)	0.213 (0.632)	0.641 (0.726)	0.647 (0.741)	0.654 (0.742)	0.617 (0.745)	0.511 (0.739)
SIC 67 Dummy	-0.416 (0.611)	-0.420 (0.621)	-0.745 (0.696)	-0.852 (0.717)	-0.837 (0.720)	-0.841 (0.717)	-0.937 (0.741)
Relatedness of Investment	-0.510 (0.344)	-0.499 (0.347)	-0.441 (0.384)	-0.399 (0.390)	-0.409 (0.392)	-0.386 (0.391)	-0.350 (0.391)
Asset Specificity	-2.754 (5.160)	-3.618 (5.248)	-6.831 (5.679)	-6.041 (5.814)	-5.910 (5.840)	-5.791 (5.896)	-4.963 (6.136)
External Uncertainty	0.431 (2.428)	0.870 (2.483)	1.642 (2.753)	1.400 (2.786)	1.324 (2.804)	1.392 (2.784)	1.059 (2.801)
Regulative Institutional Distance	-0.452 (0.510)	-0.461 (0.514)	-0.239 (0.557)	-0.221 (0.559)	-0.229 (0.560)	-0.222 (0.558)	-0.243 (0.561)
Normative Institutional Distance	0.942** (0.473)	1.033** (0.480)	1.322** (0.539)	1.309** (0.545)	1.321** (0.547)	1.331** (0.550)	1.286** (0.545)

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7
Control Variables	**Beta**	**Beta**	**Beta**	**Beta**	**Beta**	**Beta**	**Beta**
Cognitive Institutional Distance	-0.002 (0.114)	-0.014 (0.115)	-0.240* (0.133)	-0.244* (0.134)	-0.245* (0.134)	-0.247* (0.134)	-0.259* (0.135)
Economic Development of Host Country	0.068 (0.080)	0.083 (0.083)	0.075 (0.093)	0.077 (0.093)	0.076 (0.093)	0.077 (0.093)	0.074 (0.093)
DE Country Dummy	0.305 (0.542)	0.432 (0.554)	0.194 (0.615)	0.180 (0.625)	0.165 (0.630)	0.174 (0.627)	0.091 (0.636)
ES Country Dummy	1.802** (0.916)	1.924** (0.926)	2.350** (1.056)	2.345** (1.066)	2.360** (1.071)	2.314** (1.068)	2.257** (1.064)
FR Country Dummy	-0.603 (0.553)	-0.528 (0.561)	-0.495 (0.615)	-0.487 (0.621)	-0.505 (0.627)	-0.498 (0.623)	-0.542 (0.632)
GB Country Dummy	0.458 (0.580)	0.572 (0.593)	0.542 (0.652)	0.515 (0.661)	0.490 (0.670)	0.484 (0.665)	0.485 (0.671)
IE Country Dummy	-0.073 (1.027)	-0.072 (1.029)	0.919 (1.258)	0.944 (1.287)	0.899 (1.294)	0.941 (1.288)	0.816 (1.298)
IT Country Dummy	-1.037 (0.732)	-0.976 (0.738)	-0.104 (0.859)	-0.141 (0.862)	-0.139 (0.863)	-0.129 (0.865)	-0.239 (0.870)
NL Country Dummy	0.946 (0.650)	0.939 (0.657)	1.059 (0.731)	1.086 (0.739)	1.076 (0.740)	1.084 (0.742)	1.120 (0.768)
SE Country Dummy	1.422 (0.908)	1.445 (0.915)	2.411** (1.133)	2.399** (1.137)	2.382** (1.141)	2.419** (1.145)	2.235** (1.102)
Size WOS		0.000 (0.000)	0.000 (0.000	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)
Size JV		0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)

Independent Variables	Model 1 Beta	Model 2 Beta	Model 3 Beta	Model 4 Beta	Model 5 Beta	Model 6 Beta	Model 7 Beta
WOS Experience Portfolio			0.005*** (0.001)	0.004*** (0.001)	0.004*** (0.001)	0.004*** (0.001)	0.005*** (0.001)
JV Experience Portfolio			-0.004** (0.002)	-0.004** (0.002)	-0.004** (0.002)	-0.004** (0.002)	-0.004** (0.002)
JV Country Specific Experience Portfolio			-0.021*** (0.005)	-0.020*** (0.005)	-0.020*** (0.005)	-0.020*** (0.005)	-0.021*** (0.005)
WOS Performance Portfolio				-0.003 (0.013)	-0.003 (0.014)	-0.002 (0.013)	-0.004 (0.014)
JV Performance Portfolio				0.007 (0.009)	0.007 (0.009)	0.006 (0.010)	0.007 (0.011)
Interaction							
WOS Experience Portfolio X WOS Performance Portfolio					0.000 (0.000)		
JV Experience Portfolio X JV Performance Portfolio						0.000 (0.000)	
JV Country Specific Experience Portfolio X JV Performance Portfolio							0.000 (0.000)
N	227	227	227	227	227	227	227
Cox and Snell R^2_{cs}	0.143	0.153	0.277	0.279	0.279	0.279	0.284
Nagelkerke R^2_N	.197	0.211	0.381	0.384	0.384	.384	0.391
− 2 log Likelihood	259.563	256.814	220.941	220.373	220.319	220.253	218.763
Model Chi-square	35.053**	37.802**	73.675***	74.243***	74.297***	74.363***	75.853***
Δ Chi-square		2.748	35.874***	0.567	0.054	0.120	1.610
% Model Prediction	68.3	68.7	75.8	75.8	76.2	76.2	75.8

Notes: Significance at: *p < 0.10. **p < 0.05. ***p < 0.01.
The dependent variable is wholly-owned subsidiary = (1), joint venture = (0). Standard errors are given in parentheses.

Overall, seven variables in model 3 were found significant predictors of Latest Entry Mode namely WOS Experience Portfolio ($p < 0.01$), JV Experience Portfolio ($p < 0.05$), JV Country Specific Experience Portfolio ($p < 0.01$) and four control variables i.e. Normative Institutional Distance ($p < 0.05$), Cognitive Institutional Distance ($p < 0.10$), ES Country Dummy ($p < 0.05$) and SE Country Dummy ($p < 0.05$). In particular, the positive and significant logistic coefficient ($\beta = 0.005$, $p < 0.01$) for WOS Experience Portfolio suggests that firms with greater WOS Experience Portfolio preferred WOS as the new entry mode choice. For every one percent increase in the WOS Experience Portfolio, the chances of entry through a WOS increase by 0.5 per cent keeping all other predictors constant.

In contrast, the negative coefficient ($\beta = -0.004$, $p < 0.05$) for JV Experience Portfolio suggests that a greater JV Experience Portfolio facilitates the establishment of a JV as the mode of entry. Likewise, the negative logistic coefficient of JV Country Specific Experience Portfolio ($\beta = -0.021$, $p < 0.01$) indicates that firms are more likely to choose JVs over WOSs when they have more Joint Venture Country Specific Experience. In sum, firms are likely to choose WOSs when they have a greater WOS-specific experience, however, they are more inclined towards JV establishment when they possess more JV-related experience.

Model 4 incorporated the JV Performance Portfolio and WOS Performance Portfolio. As observed in Table 9, model 4 was statistically significant ($p < 0.01$) with high chi-square value (74.243). In addition, there was no substantial improvement in the predictive fit of model 4 as -2LL value reduced by an insignificant amount i.e. 0.568 than the previous model. Likewise, the change in chi-square from model 4 and model 5 resulting from addition of performance–related experience composites was very small and non-significant i.e. $\chi 2\ (2) = 0.568$ and $p > 0.10$. Though hit ratio for model 4 remained greater than the chance rate of 53.8 per cent, the percentage of correct predictions remained same (75.8%) as that of model 4.

Independent variables namely WOS Experience Portfolio ($p < 0.01$), JV Experience Portfolio ($p < 0.05$) and JV Country Specific Experience Portfolio ($p < 0.01$) as well as control variables including Normative Institutional Distance ($p < 0.05$), Cognitive Institutional Distance ($p < 0.10$), ES Country Dummy ($p < 0.05$) and SE Country Dummy ($p < 0.05$) remained statistically significant. However, no statistical significance was found for JV Performance Portfolio ($p >.10$) and WOS Performance Portfolio ($p >.10$). Hence, the addition of JV Performance Portfolio and WOS Performance Portfolio had no significant effect on the overall fit of the model.

The moderating effect of WOS Performance Portfolio on the relationship between WOS Experience Portfolio and Latest Entry Mode was tested in model 5. The empirical results in Table 9 indicated that model 5 was significant ($p < 0.01$). However, there was a minute increase (0.4%) in the percentage of correct predictions of the dependent variable in model 5 over model 4. In particular, the interaction variable WOS Experience Portfolio X WOS Performance Portfolio was non-significant ($p > 0.10$), while WOS Experience Portfolio continued to have a direct and statistically significant ($p < 0.01$) effect on the Latest Entry Mode. Therefore, it is evident that WOS Performance Portfolio did not moderate the relationship between WOS Experience Portfolio and Latest Entry Mode. In other words, the effect of WOS Experience Portfolio on the likelihood of selection of a wholly-owned subsidiary was neither facilitated nor weakened by WOS Performance Portfolio.

Model 6 explored the interaction between JV Experience Portfolio and JV Performance Portfolio. From the results presented in Table 9, it was determined that model 6 was significant ($p < 0.01$) with chi-square value of 74.363. While the classification rate of the model 6 was 76.2 per cent i.e. same as that of model 5, the percentage of correct predictions increased minutely from model 4 (0.4 %). In particular, the coefficient of interaction term i.e.

JV Performance Portfolio X JV Experience Portfolio was non-significant ($\beta = 0.000$; $p > .10$). Additionally, JV Experience Portfolio continued to have a direct and statistically significant ($p < 0.05$) effect on the Latest Entry Mode, thereby, corroborating the finding that JV Performance Portfolio did not moderate the effect of JV Experience Portfolio on the Latest Entry Mode. Hence, firms with greater JV Experience Portfolio were more likely to enter a foreign country through a joint venture irrespective of the performance of prior joint ventures as captured in JV Performance Portfolio.

Model 7 shows the interaction between JV Performance Portfolio and Joint Venture Country Specific Composite. Logistics regression analysis revealed that model 7 was statistically significant ($p < 0.01$) with a chi-square value of 75.853. However, no statistical support was found for interaction term i.e. JV Performance Portfolio X Joint Venture Country Specific Composite ($\beta = 0.000$; $p > .10$). Joint Venture Country Specific Composite ($p < .01$) remained statistically significant as in the previous models. Hence, impact of Joint Venture Country Specific Composite on the Latest Entry Mode was not reinforced or undermined by JV Performance Portfolio. Overall, the result was consistent with that of the model 5 and 6 i.e. an insignificant moderating effect was found. In other words, a greater Joint Venture Country Specific Composite induced the firm to adopt a Joint venture as next mode of entry without being moderated by superior or inferior performance of prior joint ventures.

Overall, empirical results provided partial support for a critical notion of the EMP theory i.e. collective influence of several characteristics of historical entry mode experience on future mode choice. In particular, the significant impact of three components namely JV Experience Portfolio, WOS Experience Portfolio and JV Country Specific Experience Portfolio on entry mode choice corroborates this key proposition of the EMP perspective. Additionally, the specificity of prior entry mode experience was found to determine the next

mode selection. Specifically, WOS-specific experience facilitates the establishment of a WOS, while JV-related experience drives the selection of a JV as next mode of entry. However, findings revealed that entry mode selection was neither driven by the performance components i.e. WOS Performance Portfolio and JV Performance Portfolio nor through the moderation effect WOS Performance Portfolio and JV Performance Portfolio on experience components derived from PCA. Table 11 provides a review of key findings obtained from the testing of the EMP theory.

Table 11
Summary of Empirical Results

Models	Variables	Model Significance	Significant Variables
Model 1	Control Variables	Significant	Firm Size, Size 37 Dummy, Normative Institutional Distance & ES Country Dummy
Model 2	Control Variables, **Size WOS & Size JV**	Significant	Size 37 Dummy, Normative Institutional Distance & ES Country Dummy
Model 3	Control Variables, Size WOS, Size JV, **WOS Experience Portfolio, JV Experience Portfolio & JV Country Specific Experience Portfolio**	Significant	WOS Experience Portfolio, JV Experience Portfolio, JV Country Specific Experience Portfolio, Normative Institutional Distance, Cognitive Institutional Distance, ES Country Dummy & SE Country Dummy
Model 4	Control Variables, Size WOS, Size JV, WOS Experience Portfolio, JV Experience Portfolio, JV Country Specific Experience Portfolio, **WOS Performance Portfolio & JV Performance Portfolio.**	Significant	WOS Experience Portfolio, JV Experience Portfolio, JV Country Specific Experience Portfolio, Normative Institutional Distance, Cognitive Institutional Distance, ES Country Dummy & SE Country Dummy

Models	Variables	Model Significance	Significant Variables
Model 5	Control Variables, Size WOS, Size JV, WOS Experience Portfolio, JV Experience Portfolio, JV Country Specific Experience Portfolio, WOS Performance Portfolio, JV Performance Portfolio & **WOS Experience Portfolio X WOS Performance Portfolio**	Significant	WOS Experience Portfolio, JV Experience Portfolio, JV Country Specific Experience Portfolio, Normative Institutional Distance, Cognitive Institutional Distance, ES Country Dummy & SE Country Dummy
Model 6	Control Variables, Size WOS, Size JV, WOS Experience Portfolio, JV Experience Portfolio, JV Country Specific Experience Portfolio, WOS Performance Portfolio, JV Performance Portfolio & **JV Experience Portfolio X JV Performance Portfolio**	Significant	WOS Experience Portfolio, JV Experience Portfolio, JV Country Specific Experience Portfolio, Normative Institutional Distance, Cognitive Institutional Distance, ES Country Dummy & SE Country Dummy
Model 7	Control Variables, Size WOS, Size JV, WOS Experience Portfolio, JV Experience Portfolio, JV Country Specific Experience Portfolio, WOS Performance Portfolio, JV Performance Portfolio & **Joint Venture Country Specific Composite X JV Performance Portfolio**	Significant	WOS Experience Portfolio, JV Experience Portfolio, JV Country Specific Experience Portfolio, Normative Institutional Distance, Cognitive Institutional Distance, ES Country Dummy & SE Country Dummy

4.6. ROBUSTNESS ANALYSIS

Two additional analyses were performed to examine the robustness of the empirical results. The findings of the robustness analysis are presented in table 12 and table 13. The first analysis examined the influence of a subpopulation on the significance of EMP-related experience components in entry mode selection. Of the 227 international entries, a significant percentage i.e. around 30 per cent was engaged in extraction/mining and financial services i.e. banking, insurance and holding offices. A possibility exists that the possession of natural resources and institutional regulations of the host country rather than the learning derived from prior entries guided the entry mode selection for these foreign establishments. To address this issue, observations for which parent firms were engaged in mining and financial activities based upon their description of SIC codes were removed from the usable data set. The remaining observations formed a subpopulation of 159 international entries. Following that, models 1 to 7 were rerun using this subpopulation. The results of these logistic regressions are reported in table 12.

Consistent with original findings, empirical results of models run using the subpopulation were not only significant but also possessed greater explanatory power. For portfolio-specific variables, that is, WOS Experience Portfolio, JV Experience Portfolio and JV Country Specific Experience Portfolio, there was no evidence of change in the direction of the results. In particular, JV Experience Portfolio was significant at a higher level ($p < 0.01$) than in models ($p < 0.05$) based upon the full sample. Additionally, control variables namely Firm Size and Relatedness of Investment were significant in model 1 and model 2, however, Normative Institutional Distance, Cognitive Institutional Distance, ES Country Dummy and SE Country Dummy were no longer statistically significant as observed in original models.

Overall, empirical results were consistent with enhanced level of statistical significance of JV Experience Portfolio.

A second robustness test was undertaken given the high correlation between regulative institutional distance and normative institutional distance as observed in Table 9. The impact on the empirical findings through multicollinearity is plausible. In order to address this potential concern, further statistical analysis was conducted. As a robustness check, logistic regression models were rerun without the inclusion of the normative institutional distance variable as illustrated in table 13. The results were in line with those reported in original models, although the explanatory power of models varied slightly. For the key variables of interest i.e. WOS Experience Portfolio, JV Experience Portfolio and JV Country Specific Experience Portfolio, the findings were consistent with regards to directionality and p-values with slight differences in the coefficients. Control variables i.e. ES Country Dummy and SE Country Dummy remained statistically significant in all revised models. The empirical results derived from this robustness analysis were not significantly different from those obtained through inclusion of both regulative institutional distance and normative institutional distance. In other words, collinearity between regulative institutional distance and normative institutional distance had no consequential impact on the empirical findings.

Taken together, models remain highly robust to modifications of the sample and control variables, thereby, increasing the confidence in the empirical findings. Hence, robustness analyses suggest that the results are consistent with the premise of the EMP theory that prior experience components namely WOS Experience Portfolio, JV Experience Portfolio and JV Country Specific Experience Portfolio are well equipped to explain the subsequent entry mode selection, however, the influence of performance composites and their moderation does not hold true

Table 12
Robustness Analysis (1) of EMP-Based Entry Mode choice

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7
	Beta	Beta	Beta	Beta	Beta	Beta	Beta
Intercept	1.402 (2.610)	1.281 (2.667)	0.069 (3.352)	0.456 (3.385)	0.500 (3.414)	0.440 (3.396)	1.006 (3.539)
Control Variables							
Firm Size	0.000** (0.000)	0.000* (0.000)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	0.00 (0.00)	0.00 (0.00)
SIC 28 Dummy	0.688 (0.696)	0.696 (0.696)	0.296 (0.795)	0.242 (0.820)	0.249 (0.823)	0.245 (0.821)	0.247 (0.824)
SIC 37 Dummy	1.171 (0.781)	1.210 (0.789)	0.862 (0.873)	0.666 (0.908)	0.661 (0.910)	0.661 (0.911)	0.709 (0.917)
Relatedness of Investment	-0.876** (0.432)	-0.870** (0.434)	-0.805 (0.510)	-0.748 (0.522)	-0.753 (0.524)	-0.750 (0.523)	-0.716 (0.520)
Asset Specificity	-2.248 (5.335)	-2.348 (5.385)	-7.187 (6.008)	-6.130 (6.235)	-6.074 (6.263)	-6.175 (6.268)	-5.835 (6.358)
External Uncertainty	-1.390 (3.370)	-1.251 (3.411)	1.772 (4.282)	1.459 (4.279)	1.421 (4.295)	1.475 (4.289)	0.844 (4.422)
Regulative Institutional Distance	-0.445 (0.647)	-0.439 (0.649)	0.165 (0.755)	0.203 (0.752)	0.206 (0.753)	0.203 (0.753)	0.141 (0.757)
Normative Institutional Distance	0.958 (0.626)	0.965 (0.629)	0.881 (0.745)	0.797 (0.779)	0.793 (0.779)	0.796 (0.780)	0.807 (0.782)
Cognitive Institutional Distance	-0.033 (0.143)	-0.029 (0.143)	-0.278 (0.182)	-0.286 (0.185)	-0.286 (0.185)	-0.286 (0.186)	-0.283 (0.185)
Economic Development of Host Country	-0.135 (0.115)	-0.140 (0.118)	-0.197 (0.143)	-0.196 (0.144)	-0.196 (0.144)	-0.195 (0.145)	-0.195 (0.146)

Control Variables	Model 1 Beta	Model 2 Beta	Model 3 Beta	Model 4 Beta	Model 5 Beta	Model 6 Beta	Model 7 Beta
DE Country Dummy	0.188 (0.718)	0.179 (0.732)	-0.049 (0.838)	-0.143 (0.867)	-0.157 (0.879)	-0.136 (0.876)	-0.180 (0.876)
ES Country Dummy	20.834 (12755.2)	20.856 (12768.9)	26.065 (9788.6)	26.102 (9829.3)	26.205 (9825.7)	26.138 (9826.9)	25.679 (9850.8)
FR Country Dummy	-0.758 (0.715)	-0.761 (0.727)	-0.543 (0.847)	-0.599 (0.877)	-0.608 (0.882)	-0.591 (0.885)	-0.646 (0.888)
GB Country Dummy	-0.262 (0.746)	-0.244 (0.758)	-0.038 (0.866)	-0.038 (0.915)	-0.045 (0.918)	-0.030 (0.924)	-0.080 (0.920)
IE Country Dummy	-0.616 (1.172)	-0.632 (1.176)	2.160 (1.783)	2.282 (1.831)	2.277 (1.830)	2.293 (1.841)	2.030 (1.864)
IT Country Dummy	-0.454 (0.964)	-0.443 (0.972)	1.120 (1.249)	1.043 (1.259)	1.045 (1.260)	1.050 (1.264)	0.811 (1.328)
NL Country Dummy	0.777 (0.816)	0.785 (0.817)	0.963 (0.969)	0.937 (0.995)	0.933 (0.996)	0.940 (0.997)	0.875 (1.010)
SE Country Dummy	0.976 (0.995)	0.977 (0.998)	2.492 (1.471)	2.428 (1.496)	2.429 (1.500)	2.422 (1.495)	2.371 (1.500)
Size WOS		0.000 (0.000)	0.000 (0.000)	0.000 (0.00)	0.000 (0.00)	0.00 (0.00)	0.000 (0.000)
Size JV		0.000 (0.000)	0.000 (0.000)	0.000 (0.00)	0.000 (0.000)	0.00 (0.00)	0.000 (0.000)

Independent Variables	Model 1 Beta	Model 2 Beta	Model 3 Beta	Model 4 Beta	Model 5 Beta	Model 6 Beta	Model 7 Beta
WOS Experience Portfolio			0.006*** (0.002)	0.006*** (0.002)	0.006*** (0.002)	0.006*** (0.002)	0.006*** (0.002)
JV Experience Portfolio			-0.010*** (0.004)	-0.010*** (0.004)	-0.010*** (0.004)	-0.010*** (0.004)	-0.010*** (0.004)
JV Country Specific Experience Portfolio			-0.024*** (0.007)	-0.025*** (0.007)	-0.025*** (0.007)	-0.025*** (0.007)	-0.025*** (0.007)
WOS Performance Portfolio				-0.007 (0.019)	-0.008 (0.021)	-0.007 (0.019)	-0.006 (0.019)
JV Performance Portfolio				0.010 (0.013)	0.010 (0.014)	0.010 (0.019)	0.005 (0.016)
Interaction							
WOS Experience Portfolio X WOS Performance Portfolio					0.000 (0.000)		
JV Experience Portfolio X JV Performance Portfolio						0.000 (0.000)	
JV Country Specific Experience Portfolio X JV Performance Portfolio							0.000 (0.000)
N	159	159	159	159	159	159	159
Cox and Snell R^2_{cs}	0.187	0.188	0.346	0.349	0.349	0.349	0.350
Nagelkerke R^2_N	0.162	0.263	0.485	0.489	0.489	0.489	0.491
− 2 log Likelihood	165.103	164.976	130.551	129.860	129.850	129.856	129.532
Model Chi-square	32.892**	33.019**	67.444***	68.136***	68.145***	68.140***	68.463***
Δ Chi-square (Model 1)		0.127	34.425***	0.691	0.010	0.004	0.328
% Model Prediction	74.2	73.0	80.5	81.1	81.1	81.1	80.5

Notes: Significance at: *p < 0.10. **p < 0.05. ***p < 0.01 .
The dependent variable is wholly-owned subsidiary = (1), joint venture = (0). Standard errors are given in parentheses.

Table 13
Robustness Analysis (2) of EMP-Based Entry Mode choice

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7
	Beta	Beta	Beta	Beta	Beta	Beta	Beta
Intercept	-0.901 (1.847)	-1.332 (1.907)	-1.157 (2.110)	-0.869 (2.144)	-0.882 (2.163)	-0.868 (2.144)	0.532 (2.157)
Control Variables							
Firm Size	0.000** (0.000)	0.000 (0.000)	0.000 (0.000)	0.000 (0.00)	0.000 (0.00)	0.000 (0.000)	0.000 (0.000)
SIC 28 Dummy	0.829 (0.662)	0.821 (0.666)	0.573 (0.727)	0.555 (0.732)	0.554 (0.733)	0.551 (0.735)	0.478 (0.739)
SIC 37 Dummy	1.280* (0.742)	1.287* (0.749)	0.896 (0.796)	0.758 (0.807)	0.760 (0.807)	0.757 (0.807)	0.720 (0.817)
SIC 60 Dummy	0.150 (0.674)	0.087 (0.677)	-0.023 (0.756)	-0.087 (0.774)	-0.084 (0.777)	-0.091 (0.777)	-0.218 (0.775)
SIC 63 Dummy	0.309 (0.613)	0.344 (0.623)	0.791 (0.709)	0.754 (0.722)	0.752 (0.723)	0.749 (0.727)	0.605 (0.722)
SIC 67 Dummy	-0.372 (0.610)	-0.372 (0.620)	-0.638 (0.687)	-0.742 (0.708)	-0.745 (0.711)	-0.738 (0.711)	-0.827 (0.731)
Relatedness of Investment	-0.574* (0.340)	-0.569* (0.343)	-0.531 (0.375)	-0.489 (0.380)	-0.487 (0.383)	-0.487 (0.382)	-0.432 (0.382)
Asset Specificity	-3.484 (5.111)	-4.260 (5.189)	-7.554 (5.583)	-6.644 (5.697)	6.668 (5.721)	-6.608 (5.735)	-5.560 (6.002)
External Uncertainty	1.182 (2.364)	1.613 (2.418)	2.412 (2.671)	2.021 (2.715)	2.036 (2.734)	2.020 (2.715)	1.713 (2.722)
Regulative Institutional Distance	0.225 (0.382)	0.272 (0.386)	0.615 (0.436)	0.615 (0.439)	0.616 (0.439)	0.617 (0.440)	0.575 (0.443)
Cognitive Institutional Distance	0.045 (0.110)	0.039 (0.111)	-0.148 (0.124)	-0.154 (0.125)	-0.153 (0.125)	-0.154 (0.125)	-0.167 (0.126)

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7
Control Variables	**Beta**	**Beta**	**Beta**	**Beta**	**Beta**	**Beta**	**Beta**
Economic Development of Host Country	0.017 (0.075)	0.026 (0.077)	0.002 (0.086)	0.005 (0.086)	0.006 (0.086)	0.005 (0.086)	0.002 (0.086)
DE Country Dummy	0.198 (0.536)	0.296 (0.545)	0.051 (0.605)	0.072 (0.620)	0.075 (0.623)	0.071 (0.620)	-0.030 (0.632)
ES Country Dummy	1.794** (0.898)	1.885** (0.905)	2.376** (1.053)	2.410** (1.066)	2.406** (1.068)	2.404** (1.072)	2.304** (1.065)
FR Country Dummy	-0.547 (0.546)	-0.478 (0.552)	-0.423 (0.606)	-0.398 (0.613)	-0.394 (0.618)	-0.400 (0.614)	-0.464 (0.626)
GB Country Dummy	0.349 (0.571)	0.442 (0.582)	0.381 (0.639)	0.387 (0.649)	.392 (0.658)	0.382 (0.655)	0.363 (0.663)
IE Country Dummy	-0.035 (1.019)	-0.022 (1.023)	0.987 (1.264)	1.105 (1.301)	1.113 (1.316)	1.104 (1.302)	0.954 (1.316)
IT Country Dummy	-0.798 (0.703)	-0.725 (0.711)	0.241 (0.832)	0.199 (0.835)	0.198 (0.835)	0.202 (0.837)	0.083 (0.846)
NL Country Dummy	0.805 (0.636)	0.787 (0.642)	0.832 (0.705)	0.881 (0.716)	0.883 (0.718)	0.879 (0.717)	0.905 (0.745)
SE Country Dummy	1.641* (0.886)	1.670* (0.891)	2.492** (1.102)	2.517** (1.107)	2.520** (1.109)	2.518** (1.108)	2.352** (1.064)
Size WOS		0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)
Size JV		0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)

Independent Variables	Model 1 Beta	Model 2 Beta	Model 3 Beta	Model 4 Beta	Model 5 Beta	Model 6 Beta	Model 7 Beta
WOS Experience Portfolio			0.004*** (0.001)	0.004*** (0.001)	0.004*** (0.001)	0.004*** (0.001)	0.004*** (0.001)
JV Experience Portfolio			-0.004** (0.002)	-0.004** (0.002)	-0.004** (0.002)	-0.004** (0.002)	-0.004** (0.002)
JV Country Specific Experience Portfolio			-0.020*** (0.005)	-0.019*** (0.005)	-0.019*** (0.005)	-0.019*** (0.005)	-0.021*** (0.005)
WOS Performance Portfolio				-0.007 (0.013)	-0.007 (0.013)	-0.007 (0.013)	-0.008 (0.013)
JV Performance Portfolio				0.007 (0.009)	0.007 (0.009)	0.007 (0.009)	0.007 (0.010)
Interaction							
WOS Experience Portfolio X WOS Performance Portfolio					0.000 (0.000)		
JV Experience Portfolio X JV Performance Portfolio						0.000 (0.000)	
JV Country Specific Experience Portfolio X JV Performance Portfolio							0.000 (0.000)
N	227	227	227	227	227	227	227
Cox and Snell R^2_{cs}	0.127	0.135	0.256	0.259	0.259	0.259	0.265
Nagelkerke R^2_N	0.175	0.186	0.353	0.357	0.357	0.357	0.365
− 2 log Likelihood	263.680	261.659	227.353	226.512	226.51	226.509	224.670
Model Chi-square	30.936**	32.957**	67.263***	68.104***	68.106***	68.107***	69.946***
Δ Chi-square (Model 1)		2.021	34.306***	0.841	0.002	0.003	1.843
% Model Prediction	70.0	67.8	74	73.6	73.6	73.6	75.8

Notes: Significance at: *p < 0.10. **p < 0.05. ***p < 0.01 .
The dependent variable is wholly-owned subsidiary = (1), joint venture = (0). Standard errors are given in parentheses.

4.7. DISCUSSION

4.7.1. ENTRY MODE PORTFOLIO

The international entry mode research has predominantly focused on the isolated influence of different attributes of mode experience that has led to inconsistent empirical results regarding future mode selection. Most of the studies tend to examine only few attributes of historical mode experience namely frequency, geographical diversity and country-specific experience (Nadolska & Barkema, 2007; Padmanabhan & Cho, 1999; Barkema, et. al, 1996; Hennart, 1991). While prior literature highlights the role of organizational learning derived from these factors in choice of foreign entry structure, the potential of additional attributes including performance, recentness and function has not been considered.

In this paper, I developed and tested the EMP perspective that addresses each of these limitations and enhances our understanding of entry mode selection by examining the interactions as well as the combined influence of distinct attributes on subsequent mode choice through organizational learning. First, I proposed that collective influence of several attributes through EMP overcomes these limitations and generates a unanimous impact of experience on future mode choice, thereby, alleviating the dissonance in the empirical literature. Second, I analyzed different attributes of entry mode experience as well as less researched experience-specific attributes in terms of organizational learning, its limitations and impact on mode selection. In addition, I explored how past performance moderated the influence of Entry Mode Portfolio on the subsequent mode selection. Overall, the study investigated the holistic influence of prior entry modes on the future choice of foreign entry

structure with special emphasis on the combined effect and interactions among different facets or attributes of historical entry mode experience.

Does learning from different sources lead to creation of a portfolio of learning? The results presented in the study show that distinct attributes of WOS-specific experience namely Frequency WOS, Geographical Diversity WOS, Function WOS, Recentness WOS, General International Experience WOS and Host Country Experience WOS are encapsulated in a single and a broader multi-dimensional variable. As stated earlier, EMP theory is built upon the idea of the combined influence of several attributes of entry mode experience. This finding provides support to the EMP perspective and suggests that collective analysis is worthy of investigation as there exist underlying relationships among different attributes of mode experience which could be bundled together in a WOS Experience Portfolio.

While the conceptualization of WOS Experience Portfolio was promising, this was not the case for JV-specific mode experience. In contrast to a single broader experience construct, two separate experience composites evolved for attributes of previous JV experience. Specifically, I found that Frequency JV, Geographical Diversity JV, Function JV and Recentness JV were bundled into one portfolio termed JV Experience Portfolio, while General International Experience JV and Host Country Experience JV were combined in a separate portfolio known as JV Country-Specific Experience Portfolio. The formation of two distinct portfolios for JV-specific experience only partially supported the idea of the EMP theory of combining all facets of firm's previous experience with JVs.

One possible explanation for the creation of a distinct JV Country-Specific Experience Portfolio is that it plays a pivotal role as that of JV Experience Portfolio in mode selection. In particular, we should note the relative importance of Host Country Experience JV and General International Experience JV in JV Country-Specific Experience Portfolio. The

loading of Host Country Experience JV is almost twice that of the General International Experience JV. Therefore, between the two variables, Host Country Experience JV could be inferred to exert a stronger influence and, therefore, a more significant representative of JV Country-Specific Experience Portfolio.

Essentially, host country experience enables the firm to absorb the intricacies of institutional environment and develop effective routines and capabilities pertinent to the local context (Delios & Henisz, 2000; Cho & Padmanabhan, 2005; Elango, et. al, 2013). In particular, previous country-specific experience sensitises the MNE with distinct institutional facets such as intellectual property regime, judicial system, norms, cognitive structures, culture and societal values (Eriksson, et. al, 1997). Any violation of established norms, culture and societal expectations can thwart the social acceptance and legitimacy of the foreign affiliate (Xu & Shenkar, 2002; Arslan & Larimo, 2010; Scott, 1995).

Previous research has placed a great deal of emphasis on culture, specifically, cultural distance as a key determinant of the selection and survival of a JV. A set of findings suggests that a high level of cultural distance is associated with firm's preference for JVs (Brouthers & Brouthers, 2001; Kogut & Singh, 1988; Hennart & Larimo, 1998; Yiu & Makino, 2002). Importantly, the longevity of an international joint venture has been found to decrease with a greater cultural distance as it aggravates information costs as well as the difficulty in transfer of parent firm's competencies to JVs (Barkema, Shenkar, Vermeulen & Bell, 1997). Besides creating impediments for an MNE in achieving social legitimacy, cultural distance thwarts the certainty of managerial decision-making, operational benefits, and management of diverse employee base (Shane, 1993; Cho & Padmanabhan, 2005; Brouthers & Brouthers, 2001).

The tacit characteristic of culture makes it opaque to investing firm (Arslan & Larimo, 2010), therefore, a JV with a local partner helps an MNE to secure the institutional knowledge

and develop cultural familiarity and pertinent understanding of society in the country of operation. In particular, MNEs not only learn about the host country culture but also adjust with an alien corporate culture of local counterpart of JV i.e. double-layered acculturation takes place (Barkema, et. al, 1996; Kogut & Singh, 1988). Culture-specific knowledge is also facilitated through business knowledge accrued from client's operations, competitors, decision-making and way of working (Eriksson, et. al, 1997). As double-layered acculturation modes, prior JV establishments enable the firm to capture routines and repertoires embedded in the culture, while safeguarding itself from vulnerabilities of underestimating politics and national cultural differences (Elango, et. al, 2013).

This knowledge regarding host country's culture accrued through MNE's experience can overcome the implications of cultural distance on survival of joint ventures. The longevity of JVs in a specific country of a cultural block was found to increase when a firm had experience in the other countries of that cultural block (Barkema, et. al, 1996). Firms leveraged their prior experience garnered in culturally similar locations such as the knowledge about the attributes of common cultures and supranational networks that facilitate longer duration or survival of joint ventures (Barkema, et. al, 1996). This consequential impact of cultural-specific knowledge justifies the importance that MNEs give to previous JV experience in the focal host country as they would give to JV Experience Portfolio. Therefore, JV Country-Specific Experience Portfolio stands out as a distinct experience composite besides JV Experience Portfolio.

Further, I expected the formation of a single and consolidated performance-related construct that incorporates the influence of both average and recent performances of prior entry modes. The empirical finding was in line with this expectation, that is, EMP's conceptualization of a holistic representation of performance of previous modes. In particular, principal component analysis revealed that both average and recent performances could be

aggregated in broader composites termed as WOS Performance Portfolio and JV Performance Portfolio. While WOS Performance Portfolio was composed of Recent Performance WOS and Average Performance WOS, JV Performance Portfolio combined the Recent Performance JV and Average Performance JV.

4.7.2. ENTRY MODE PORTFOLIO & ENTRY MODE CHOICE

Next, I theorize that these portfolios of knowledge would have an influence on entry mode choice in addition to TCE variables. Findings show that firms with greater WOS Experience Portfolio are more likely to seek entry in host countries by the means of wholly-owned subsidiaries. The result provides support to the predicted hypothesis and it also confirms the rationale of EMP theory that different attributes of previous entry mode experience when combined exert a strong influence on the subsequent mode choice. Specifically, this finding could be explained on the basis that a greater WOS Experience Portfolio generates a rich WOS Portfolio Learning that broadens the firm's knowledge and understanding regarding the holistic impact of prior international WOS experience on future mode selection. The development of a WOS Portfolio Learning represents a change in organizational knowledge that facilitates organizational learning as reflected in new or refined organizational beliefs, thought processes, interpretation of events, routines, search strategies and structures (Lundberg, 1995; Crossan, et. al, 1995; Leroy & Ramanantsoa, 1997).

As organizations are routine-based and history-dependent entities, WOS Portfolio Learning or the inferences drawn from WOS Experience Portfolio are incorporated into routines that determine operation and construction of organizations (Levitt & March, 1988). In particular, WOS Portfolio Learning develops effective routines and capabilities that enable a firm to engage in an objective selection of an entry mode freed from influences of organizational inertia, momentum, learning myopia, superstitious learning, availability

heuristics and application errors that stem from organizational learning derived from isolated attributes of prior WOS-specific mode experience (Miller & Chen, 1994; March & Olsen, 1975; Levinthal & March, 1993; Zeng, et. al, 2013; Shimizu & Hitt, 2005; Schwenk, 1988). Therefore, firms with extensive WOS Experience Portfolio and consequently a greater and richer WOS Portfolio Learning were more likely to exploit the refined routines and repertoires in a subsequent international entry via a WOS.

Likewise, I found that MNE's with greater JV Experience Portfolio and JV Country-Specific Experience Portfolio were more likely to choose a joint venture as the next mode of entry. The impact of the JV Experience Portfolio on the likelihood of a JV formation could be attributed to the creation of JV Portfolio Learning that enlightens the MNE with the potential of strategic selection of an entry mode through the collective influence of distinct attributes of previous international JV experience. In particular, JV Portfolio Learning modifies and refines existing routines in a JV selection that enables the firm to mitigate the dysfunctional impact of organizational learning that evolves from the isolated attributes including frequency, geographical diversity, recentness and function on mode selection. Therefore, MNEs with extensive JV Experience Portfolio will leverage their larger and valuable JV Portfolio Learning through a subsequent JV formation.

Additionally, findings revealed that firms with greater JV Country-Specific Experience Portfolio were more inclined to choose a joint venture as the next mode entry in that country. As stated earlier, Host Country Experience JV is a larger representative of JV Country-Specific Experience Portfolio than General International Experience JV. The empirical results regarding JV Country-Specific Experience Portfolio could be ascribed to Host Country Experience JV i.e. its prior JV entries in the focal host country.

Besides facilitating institutional knowledge, host country experience develops MNE's routines and capabilities pertinent to that country of operation (Delios & Henisz, 2000; Cho & Padmanabhan, 2005; Elango, et. al, 2013). In particular, previous country-specific experience elevates the firm's ability to scan, process and analyse location-specific information that reduces transaction costs and enhances the scope of bounded rationality (Luo, 2001; Delios & Henisz, 2000). Firms are, thus, able to accurately perceive and respond to environmental uncertainties and engage in the superior evaluation potential entries in the focal host country (Johanson & Vahlne, 1977). Hence, a firm's subsequent entry in the earlier country of operation enhances the scope for effective utilization of prior host country experience and resultant learning acquired by the firm.

Specifically, prior JVs establishments in a specific host country enables the MNE to acquire and leverage partner's cultural and institutional knowledge, while reducing political complications by sharing culturally sensitive tasks with local strategic partners (Brouthers & Brouthers, 2001; Hennart & Larimo, 1998; Cho & Padmanabhan, 2005; Kogut & Singh, 1988). Earlier JV entries hone the firm's ability in dealing with costs and uncertainties of collaborative agreements and finding appropriate partner in the focal host country (Padmanabhan & Cho, 1996; Meyer, et. al, 2009b). Given the critical role played by knowledge of host country's culture in the longevity and survival of JVs (Barkema, et. al, 1997), MNEs were more likely to leverage their previous cultural familiarity and institutional knowledge by replicating their previous mode choice i.e. joint venture in the prior country of operation.

There might be a consideration that this result runs counter to prior empirical findings that reveal that a greater level of country specific experience diminishes the benefits that stem from joint ventures, while increasing firm's familiarity, knowledge and access to local institutional facets that induces a firm to adopt higher ownership positions, that is, bearing

risk and responsibility of complete ownership of foreign subsidiaries (Yiu & Makino, 2002; Gomes-Casserus, 1989; Powell & Rhee, 2013; Hennart, 1991; Padmanabhan & Cho, 1996; Kogut & Singh, 1988). It is, therefore, critical to note that these empirical studies operationalize country-specific experience in generic way i.e. not specific to WOSs or JV entries. Typical measures of host country experience include number of years since the firm has established its first subsidiary in host country (Yiu & Makino, 2002; Hennart, 1991), length of time in years of firm's operation in the host country (Padmanabhan & Cho, 1996), number of times a firm has entered or frequency of past investments in the target country (Gomes – Casserus, 1989; Powell & Rhee, 2013) and number of subsidiary years in the host country (Delios & Henisz, 2000).

In contrast, the EMP perspective creates distinct constructs of host country experience for WOS and JVs. In particular, Host Country Experience JV (WOS) was computed as the length of the time (in years) from the year of incorporation of the firm's first JV (WOS) in the country of the firm's most recent entry till the year of establishment that recent entry. Therefore, in line with EMP's conceptualization, the finding that MNEs with extensive JV Country-Specific Experience Portfolio are more likely to seek re-entry in that country by the means of a joint venture rather a WOS seems acceptable.

4.7.3. MODERATION OF PERFORMANCE

Contrary to our prediction, we did not find any proposed interaction effect between WOS Performance Portfolio and WOS Experience Portfolio or between JV Performance Portfolio and JV Experience Portfolio. Additionally, no moderation of JV Performance Portfolio on the relationship between JV Country-Specific Experience Portfolio and entry mode choice was observed. This result contrasts with Haleblian's, et. al (2006) study that concluded that higher frequency of acquisitions when accompanied with a higher performance of recent acquisition

increased the likelihood of future acquisitions. However, poor acquisition performance depreciates the legitimacy of established acquisitions-related routines and a firm deviates from its routine-based persistence of employing acquisitions (Haleblian, et. al, 2006).

While findings of my study are somewhat surprising, it may be attributed to several reasons. First, there is a possibility that performance portfolio might not moderate all the constituents of experience portfolio to same extent and in same direction. The varying magnitude or directions of moderation impacts may not be consolidated to generate a significant interaction effect. Second, there might be a variation in influences exerted by components of the performance portfolios i.e. recent performance and average performance on the experience portfolio, which contribute to a non-significant moderation effect. As decision makers often rely on recent performance feedback and recent decision-specific experience in determining the future mode of entry choice (Haleblian, et. al, 2006; Cho & Padmanabhan, 2001), a greater significance of Recent Performance WOS (JV) than Average Performance WOS (JV) could be inferred. In other words, average performance may not play a consequential role as that of recent performance in moderating the influence of experience portfolio on entry mode selection; which may facilitate an insignificant interaction term.

Third, this finding may be explained by the fact that there may be a tendency for firms to consider other attributes of experience to be more significant than performance in mode choice decision. The relative importance of attributes has been observed in prior studies. Padmanabhan and Cho (1996) showed that in culturally similar host countries, General International Experience did not play a key role in entry mode decisions, while firm's experience with a host country becomes an important factor that facilitates the complete ownership of foreign affiliates in those countries. Likewise, performance may not be that important as other attributes of historical entry mode experience. As a consequence, the proposed moderation effect of performance portfolio may not hold true.

Then, there is also a possibility that performance feedback does not transform into effective organizational learning. The performance feedback perspective suggests that decision makers are unable to interpret lessons and identify the cause of failed JVs as they do not pay attention to prior failures outside the local context (Hong, 2016). However, according to cognitive bias perspective, even if a firm pays attention to failures in local context, decision makers are subjected to superstitious beliefs owing to causal ambiguity, therefore, they ascribe the cause of failure to the inability of a local partner (Hong, 2016). For failures experienced outside local context, decision makers rationalize their overconfidence by attributing the responsibility of failure to institutional idiosyncrasies or host country's business environment (Hong, 2016). Hence, in both local and non-local contexts, decision makers are unable to learn from prior failed endeavours.

For large failures, the fear of being held accountable may dissuade organization's members from altering their existing knowledge and reveal failure-related information (Madsen & Desai, 2010). Organizational failure can also facilitate momentum as acknowledgement of failure may tarnish the power or self-esteem of key managers or decision markers (Miller & Chen, 1994). Taking poor performance as a temporal setback, managers may ignore negative signs from acquired entities and remain committed to their initial successful acquisition strategies i.e. cognitive and structural inertia evolves in firm's strategic decisions (Shimizu & Hitt, 2005).

Additionally, there could be instances of spurious successes, that is, a firm does not experience a negative outcome with an erroneous process (Dahlin, et. al, 2018). As a consequence, spurious success decreases the motivation and ability of a firm to correct and learn from an erroneous process, while increasing unreported errors or the latent errors (Dahlin, et. al, 2018). The absence of adverse outcomes and acceptance of latent errors could lead to a dramatic failure event that complicates cause-effect analyses in investigation of

underlying cause of the failure (Dahlin, et. al, 2018). Hence, several factors create serious obstacles in a firm's attempts to learn from prior performance and therefore, it is likely that influence of performance feedback garnered from performance portfolio is not adequate enough to moderate the influence of experience portfolio on entry mode selection.

Finally, I speculate this finding may be consequence of fact that ROA served as less accurate proxy for capturing the performances of prior entry owing to non-uniformity of accounting standards across countries, non-comparability of data, translation errors and variations in exchange rates (Haleblian, et. al, 2006; Brouthers, et. al, 2000; Slangen & Hennart, 2008; Brouthers, 2013). In addition, missing values of ROA of foreign affiliates might have hindered the generation of accurate values of average recent and recent performances. In particular, there were only 91.1%, 82.6%, 89.3% and 77.6% of the total values available for Average Performance WOS, Recent Performance WOS, Average Performance JV and Recent Performance JV respectively. Though mean substitution was carried out, a large percentage of missing values along with the above - mentioned reasons could have contributed to non-significant moderation effect of performance portfolios as observed in the empirical analysis.

To examine the robustness of results, I tested my hypotheses on observations for which parent firms were not engaged in mining and financial activities. I found that results relating to both hypothesis were consistent as those observed for full sample. In other words, we can conclude that it's the organizational learning derived from firm's prior entry mode experience that guides mode selection rather than presence of natural resources and institutional regulations in host country for firm's operating in mining and financial sector respectively. A second robustness analysis was carried out to alleviate the concern of distortion in empirical findings due to high correlation between regulative institutional distance and normative institutional distance. The regression models were rerun without the

inclusion of the normative institutional distance and I found that the results were in line with those in original models. Therefore, robustness analyses increased the confidence in EMP's rationale that combined influence of the distinct attributes of mode experience influences firm's subsequent entry mode choice through organizational learning.

Based on this analysis, it appears that EMP theory does a fair, however, a partial job in predicting the entry mode choice. Although the interaction between experience portfolio and performance portfolio was not a significant predictor of international entry mode choice, I found the evidence that mode selection is driven by experience portfolio that combines several attributes of prior entry mode experience. The empirical results corroborate Kim and Hwang's (1992) idea that entry modes could be viewed as a portfolio of interdependent units that assist in management of interdependencies across entry mode structures. In particular, this study provides support for those scholars (Brouthers, 2013; Brouthers & Hennart, 2007; Hennart & Slangen, 2015) who suggest a meaningful contribution towards entry mode literature could be made by analysing the mode choice decision through the lens of historical mode decisions and examining the role of different experiences such as frequency and performance of past mode choices in firm's learning and the replication of past decisions (Hennart & Slangen, 2015).

By engaging in a strategic selection of entry mode, EMP perspective attempts to alleviate a paucity of strategic solutions that assist managers in a sound entry mode choice as suggested by Brouthers (2013). I also contribute to Shaver's (2013) call to employ novel insights that are related with existing explanations and explore the interdependence among entry modes in order to reinvigorate entry mode research. Overall, it seems that EMP is valuable to explain MNE's entry mode choice; that is, the collective influence of several attributes of entry mode experience through aggregated organizational learning determines firm's future mode selection.

4.8. LIMITATIONS & FUTURE DIRECTIONS

While empirical results offer critical insights regarding the importance of collective influence of different attributes of prior entry mode experience in subsequent mode choice, this study suffers from several limitations that provide potential research opportunities. First, the study has focused exclusively on large European firms, therefore, findings may not be applicable to firms from other countries, that is, outside Europe or small and medium enterprises. Future research could examine the generalizability of findings by analysing international entries of non-European MNEs or foreign entry structures adopted by small and medium sized firms.

Second, though consistent with prior research (Makino & Neupert, 2000; Padmanabhan & Cho, 1996; Hennart, 1991 & Brouthers, 2002), the scope of this study is limited to only two categories of entry modes i.e. joint ventures and wholly-owned subsidiaries. Future research could examine a wide range of entry mode including non-equity modes such as exporting, licensing and alliances (Anderson & Gatignon, 1986). In addition, researchers could differentiate among empirical results derived from distinct forms of WOSs such as greenfields and acquisitions as well as different types of JVs, particularly, minority equity joint venture, 50 percent share equity joint venture and majority equity joint venture (Anderson & Gatignon, 1986; Hennart, 1988).

Third, the study does not assess normative merit of EMP perspective. Potential studies could investigate normative utility of EMP analysis by comparing the performance of firms whose entry mode choice can be predicted with EMP theory with those whose mode choices do not align with EMP predictions. Fourth, while I have tested the interaction effect of performance portfolio and EMP and found it insignificant, it is plausible to imagine that different components of performance portfolio i.e. average and recent performance could

exert different impact, that is, in extent and direction on the EMP. It will be interesting to explore the relative influence of the components of a performance portfolio on EMP and its constituents.

Fifth, results indicate that EMP theory can predict a firm's international mode of entry choice, however, there are several factors that influence entry mode decision such as domestic and foreign competitors, CEO's career horizon, firm diversification, CEO successor characteristics, global synergies or strategic motives, market position strategy and business strategy (Brouthers & Hennart, 2007; Yiu & Makino, 2002; Lu, 2002; Erramilli & Rao, 1992; Kim & Hwang, 1992; Aulakh & Kotabe, 1997; Matta & Beamish, 2008; Mudambi & Mudambi, 2002; Herrmann & Datta, 2002).

In particular, Matta & Beamish (2008) found out that CEO's with a longer career horizon preferred acquisition. However, CEOs which were nearer retirement with high levels of in-the-money unexercised options and equity holdings were less likely to pursue acquisitions as they had only limited time of employment to revert any potential performance downfall associated with risky strategies like acquisitions which could affect their reputation and legacy (Matta & Beamish, 2008). In consistence with this study, Herrmann and Datta (2002) revealed that CEO successor characteristics such as increasing position tenure and international experience facilitates greater confidence and legitimacy in CEOs position which shapes their preference for full control entry modes characterised by greater risks, resource commitment and high level of information processing. Additionally, CEO that possessed throughput functional backgrounds were more likely to establish full-control entry modes (Herrmann & Datta, 2002). There might be a possibility that entry mode decision may be the outcome of interaction between these factors and EMP. By investigating these issues, future research studies could improve our understanding regarding international behaviour of MNEs

and entry mode decisions. Other limitations include missing data for firm employees, performance and asset specificity that caused a significant loss in number of observations. It is critical for future studies to determine an appropriate data source that can provide complete data to operationalize variables employed in the EMP-related research.

4.9. IMPLICATIONS & CONTRIBUTIONS

Despite these limitations, this paper makes an important contribution to managerial practice. The study shows that firms can make an objective entry mode choice on the basis of EMP perspective. Consideration of holistic mode experience through EMP assists the firm to make qualitatively better and informed decision by allowing the interplay among learning that evolve from different attributes of mode experience and overcoming the limitations of one attribute with learning derived from the other, specifically, through Portfolio Learning. MNE managers could leverage the knowledge and insights garnered from Portfolio Learning to make an entry mode decision freed from the vulnerabilities associated with organizational inertia, information overload, learning myopia, superstitious learning and application errors (Miller & Chen, 1994; March & Olsen, 1975; Levinthal & March, 1993; Zeng, et. al, 2013; Shimizu & Hitt, 2005). Hence, managers need to reconsider their reliance on an individual attribute of mode experience and employ the approach laid out by EMP for a strategic entry mode choice.

The empirical results highlight the contribution of the EMP theory by showing that entry mode choice is a function of EMP i.e. collection of different forms of experience. Overall, this paper makes three important contributions to entry mode literature. First, by offering a nuanced view of historical mode experience based upon the rudiments of organizational learning and portfolio theory of finance, I enlighten the entry mode literature

with a unique perspective of combined influence of several attributes of entry mode experience on future mode selection. I extend the focus to the novel construct conceptualised as EMP, that is, a bundle of distinct attributes of previous mode experience and Portfolio Learning which is the lessons learned and knowhow generated through the EMP. Specifically, I argue that Portfolio Learning facilitates a strategic entry mode selection by alleviating risks and uncertainties such as, that evolve from isolated influence of learning derived one or other attribute of mode experience. Employing the portfolio concept, I enrich an experience-based view of mode selection by providing a fine-grained and combined analysis of distinct attributes of mode experience and describing the interplay among these attributes and associated organizational learning that shapes the future mode selection.

Second, this study makes an important empirical contribution by addressing a critical limitation of previous entry mode-based research, that is, inconsistent impact of historical mode experience on subsequent mode of entry choice (Brouthers & Hennart, 2007; Ekeledo & Sivakumar, 2004). The root cause of limitation is several experience and non-experience-based measures employed in the prior research (Brouthers & Hennart, 2007). By conceptualizing and finding composite experience-based constructs i.e. WOS Experience Portfolio, JV Experience Portfolio and Country-Specific Experience Portfolio that not only capture nuances of distinct attributes of mode experience and their measures but also give a unique result regarding entry mode choice, I provide an important solution to the issue of divergent empirical findings. While doing so, I also make a methodological contribution by introducing an aggregated proxy of entry mode experience that combines several attributes of experience and provides a more holistic influence of historical mode experience on future mode selection. Therefore, future studies dealing with influence of prior experience and organizational learning could consider more comprehensive representation of experience rather than relying on individual and isolated experience attributes.

Third, by advancing a nascent strand of literature that suggests the significance of function and recentness of prior entries in future mode selection, I make an important contribution to entry mode research. Essentially, there is a little understanding how function and recentness determines subsequent entry mode choice owing to very few entry mode-based studies that investigate organizational learning derived from these sources and its impact on mode selection (Chan & Rosenzweig, 2001; Cho & Padmanabhan, 2001; Haleblian & Finkelstein, 1999). My empirical analysis suggests that both function and recentness in conjunction with other attributes of experience contribute towards entry mode choice. In addition, I suggest how function and recentness alleviate the implications of organizational inertia and inappropriate generalization of country-specific experience or location-bound firm specific advantages that evolve from additional constituents of EMP (Miller & Chen, 1994; Zeng, et. al, 2013; Clarke, et. al, 2013).

Within this paper, I theorize and test the portfolio-based idea that the bundle or collection of distinct attributes of entry mode experience determines the entry mode choice. The introduction of the portfolio concept, I believe, provides an interesting perspective to the extant entry mode research that has largely investigated the isolated impact of one or two attributes of prior experience on future mode choice. In line with previous research that suggests the significance of organizational learning deriving from one or two attributes of experience in mode selection (Nadolska & Barkema, 2007; Vermeulen & Barkema, 2001; Chan & Rosenzweig, 2001; Lu, 2002; Erramilli, 1991; Powell & Rhee, 2013; Hennart, 1991; Delios & Beamish, 1999; Haleblian, et. al, 2006), I emphasize upon the potential of combined impact of different experience-based facets and shift the focus of analysis to interaction among learning that evolve experience-based facets. Sharing the same motivation as that of Kim and Hwang (1992), Brouthers (2013), Hennart and Slangen (2015) and Shaver (2013), I aim to reinvigorate entry mode research through the lens of historical mode decisions,

organizational learning and interdependence among entry modes. In conclusion, building on the portfolio concept and organizational learning theory, I provide an important extension to entry mode research by developing a novel EMP perspective that underpins a strategic mode selection and addressing the issue of discordance of empirical findings regarding the impact of experience on entry mode choice.

5. CONCLUSION TO THESIS

Inconsistent findings regarding the effect of prior entry mode experience on future mode selection is created by diverse experience-based measures used in empirical studies (Brouthers & Hennart, 2007). The purpose of my research was to overcome this limitation by providing a single and a broader experience construct composed of distinct attributes of historical entry mode experience. Majority of international entry mode studies has examined entry mode choice as the outcome of one attribute of prior mode experience namely frequency, geographical diversity, general international experience and country-specific experience, while almost totally ignoring the collective influence of several attributes and potential of additional facets including function, recentness, performance and size of foreign entries. In this study, I extend the entry mode research by adding insights from organizational learning theory and portfolio perspective from finance to develop a novel theory - Entry Mode Portfolio (EMP) that determines a unique mode of entry choice through collective influence of organizational learning derived from attributes of previous entry mode experience. Building upon the combined or portfolio-based approach, I theorize and test the notion that EMP facilitates a superior and informed entry mode selection decision by overcoming limitations of individual learning and extracting synergies among them.

Drawing on a sample of 227 international entries by European firms, I find that for WOS-specific experience, prior attributes namely frequency, geographical diversity, function, recentness, General International Experience and Host Country Experience are bundled together in a composite and broader experience-based construct termed as WOS Experience Portfolio. The creation of WOS Experience Portfolio supports EMP's idea of combined influence of several attributes of entry mode experience. However, for JV-specific experience it is partially true as two distinct experience portfolios were formed; first, JV Experience

Portfolio that consisted of Frequency JV, Geographical Diversity JV, Function JV and Recentness JV and second, JV Country-Specific Experience Portfolio that comprised of General International Experience JV and Host Country Experience JV.

In particular, Principal Component Analysis (PCA) revealed that in JV Country-Specific Experience Portfolio, the loading of Host Country Experience JV is almost twice that of the General International Experience JV. Building upon this, the formation of a JV Country-Specific Experience Portfolio could be attributed to that fact that Host Country Experience JV enlightens a firm with knowledge about institutional facets such as judicial system, norms, cognitive structures, culture and societal values of country of operation (Delios & Henisz, 2000; Elango, et. al, 2013; Eriksson, et. al, 1997). Specifically, culture-specific knowledge plays a pivotal role in overcoming vulnerabilities associated with cultural distance such as uncertainty of managerial decision-making, underestimating politics, challenges in management of diverse employee base and survival of an international joint venture (Barkema, et. al, 1997; Shane, 1993; Brouthers & Brouthers, 2001). The culture familiarity that an MNE accrues from its prior experience in a cultural block was found to enhance the longevity of JVs in other countries of that cultural block (Barkema, et. al, 1996). Given the critical role that cultural-specific knowledge plays in survival of joint ventures, it is plausible to expect that firms give special emphasis to prior JV experience in focal host country, which sensitizes MNEs with cultural facets and is therefore, a standalone experience composite -JV Country-Specific Experience Portfolio besides JV Experience Portfolio.

Further, as expected, I find that average performance and recent performance of prior WOSs and JVs could be encapsulated in broader performance-related composites known as WOS Performance Portfolio and JV Performance Portfolio.

The impact of these portfolios on entry mode choice was investigated through logistic regression. The analysis revealed that firms with greater WOS Experience Portfolio are more likely to choose a wholly-owned subsidiary as the next mode of entry, while extensive JV Experience Portfolio enhanced the likelihood of international entry by the means of a joint venture. This finding supported the EMP premise that extensive WOS (JV) Experience Portfolio generates a richer WOS (JV) Portfolio Learning which refines firm's routines and capabilities that alleviate dysfunctional influences of organizational inertia, momentum, learning myopia, superstitious learning and application errors on entry mode selection decision (Miller & Chen, 1994; March & Olsen, 1975; Levinthal & March, 1993; Zeng, et. al, 2013; Schwenk, 1988) As a consequence, these effective routines and capabilities are exploited by firm through subsequent WOS (JV) selection.

Additionally, MNEs with greater JV Country-Specific Experience Portfolio were found to be more inclined to re-enter that country via a joint venture. As stated earlier, Host Country Experience JV is the key representative of JV Country-Specific Experience Portfolio than General International Experience JV. Therefore, this empirical finding is largely attributed to Host Country Experience JV, that is, firm's prior JV entries in the focal host country. In particular, prior Host Country Experience JV enables the MNE to accrue local partner's cultural and institutional knowledge, while elevating firm's ability to manage collaborative agreements, reduce political complications and find appropriate partner in that country (Cho & Padmanabhan, 2005; Elango, et. al, 2013; Brouthers & Brouthers, 2001; Hennart & Larimo; Brouthers & Brouthers, 2001). Importantly, cultural familiarity facilitates the longevity and survival of JVs (Barkema, et. al, 1997); therefore, this finding seems acceptable. MNEs with extensive JV Country-Specific Experience Portfolio are more likely to harvest their routines and capabilities build upon location-specific information and knowledge

of host country's culture by replicating their previous mode choice or establishing JVs in that country (Luo, 2001; Delios & Henisz, 2000).

While these findings were in line with EMPs conceptualization, no interaction effects between WOS Performance Portfolio and WOS Experience Portfolio as well as between JV Performance Portfolio and JV Experience Portfolio as proposed in second hypothesis were found true. Likewise, JV Performance Portfolio did not moderate the influence of JV Country-Specific Experience Portfolio on entry mode choice. These unsupported predictions could be explained on the basis of several reasons including ineffective operationalization of performance with ROA value due to non-uniformity of accounting standards (Brouthers, et. al, 2000; Slangen & Hennart, 2008; Brouthers, 2013), inability of firm to learn from performance feedback owing to causal ambiguity, organizational momentum and spurious successes (Miller & Chen, 1994; Hong, 2016; Dahlin, et. al, 2018), firm's inclination towards additional attributes other than performance in mode selection decisions and the varying magnitude or direction of moderation influences that do not consolidate in a significant moderation effect.

Further, two robustness analyses were carried out to increase the confidence in the empirical findings. The first robustness test was done by testing hypotheses for foreign entries of firms that are not engaged in mining and financial activities and second, was carried out by running the regression analysis without the inclusion of normative institutional distance. The results of both tests were in line with original findings, thereby, suggesting that first, it was organizational learning that determines mode of entry choice rather than natural resources and regulations in host country, second, high correlation between regulative institutional distance and normative institutional distance did not distort the empirical findings.

Overall, the evidence suggests that EMP theory partially explains the entry mode choice. As proposed, WOS experience attributes could be collective bundled in one larger experience-based construct, however, JV experience attributes split into two constructs. The findings revealed that experience portfolios were significant predictors entry mode choice, however, proposed interactions between experience portfolio and performance portfolio were not significant. Hence, it can be said that mode selection is driven by experience portfolio that combines several attributes of prior entry mode experience.

The study offers several directions for future research. For instance, potential studies could explore if findings are generalizable to non-European MNEs or Small and Medium Enterprises (SMEs). Future researches can assess the normative utility of EMP perspective, consider non-equity modes such as exporting and licensing (Anderson & Gatignon, 1986) and examine relative influence of average and recent performance on different constituents of EMP or attributes of prior entry mode experience. Additionally, prospective studies could investigate the interaction effects between EMP and additional factors that predict future mode selection namely domestic and foreign competitors, CEO's career horizon, market position strategy, experience of TMT and strategic orientations of firms (Matta & Beamish, 2008; Aharoni, et. al, 2011; Brouthers & Hennart, 2007; Efrat & Shoham, 2013; Yiu & Makino, 2002; Lu, 2002; Xie, 2014; Erramilli & Rao, 1992; Kim & Hwang, 1992; Aulakh & Kotabe, 1997).

EMP theory also provides an important insight to managerial practice by demonstrating that a firm could make an informed and objective mode of entry choice by considering different attributes of prior entry mode experience and the associated learning simultaneously. The emphasis on one or two attributes of previous mode experience lends a narrow perspective to decision-makers whose mode selection decisions are clouded by

organizational inertia, learning myopia, superstitious learning and application errors (Miller & Chen, 1994; March & Olsen, 1975; Levinthal & March, 1993; Zeng, et. al, 2013; Shimizu & Hitt, 2005). In order to alleviate these dysfunctional influences on entry mode choice, EMP perspective suggests decision makers to consider holistic entry mode experience by focusing on several distinct attributes of experience that enable a qualitatively better entry mode selection decision.

The research offers four important contributions to the literature. The first contribution of my research is the nuanced view, EMP, to understand the influence of entry mode experience on future mode selection. Prior studies have considered attributes of mode experience such as frequency, geographical diversity, general international experience and host country experience as determinants of next entry mode choice. EMP theory suggests that organizational learning accrued from these attributes is just one of the many isolated mechanisms underlying the influence of experience on choice of foreign entry structure. While individual attributes do impact future mode choice, findings of this study revealed that it is combined influence as well as the interaction among organizational learning derived from these attributes that influence mode of entry choice. EMP theory and empirical results claims that is important to understand the combined effect of attributes of prior mode experience. This research, thus, enlightens the entry mode literature with a novel perspective that lends important insights regarding the multi-faceted and holistic influence of historical entry mode experience and its attributes.

Second, EMP theory suggests a conceptual shift from individual attributes of entry mode experience to combined influence of different attributes on future mode choice. While realising this, EMP make an important methodological contribution by introducing an aggregated proxy of mode experience. In particular, empirical findings confirmed EMP's

conceptualization of broader and composite experience-based constructs that yield a single or unanimous result regarding influence of experience on firm's ownership level. Therefore, aggregated experience proxies address the issue of diverse experience-based measures that cloud entry mode literature with inconsistent empirical results.

Third, by exploring the idea that how different learning mitigate one another limitations and assist in firm's strategic decisions, EMP also makes an important contribution to organizational learning literature. This study provides precise explanation regarding how interplay among different learning overcome vulnerabilities and extract synergies in a mode selection, while facilitating a informed entry mode choice. A related contribution is that EMP enriches entry mode literature by specifying the nature of organizational learning facilitated by each attribute of entry mode experience i.e. behavioural and cognitive as opposed to prior studies that emphasise on general influence.

Fourth, this study extends the understanding the regarding the unexplored role of function and recentness in entry mode selection. Importantly, findings reveal them as antecedents to entry mode choice other than previously noted attributes of mode experience namely frequency, general international experience, geographical diversity, host country experience. In addition, EMP theory suggests the salience of size and performance by explaining how they facilitate organizational learning and determine mode of entry choice. EMP perspective also suggests how performance, especially failure, overcomes vulnerabilities of organizational inertia and momentum that evolve from additional attributes of entry mode experience (Miller & Chen, 1994; Zeng, et. al, 2013; Clarke, et. al, 2013). Overall, results suggest the need to recognize the role of function, size, performance and recentness of prior entry modes for an in-depth and holistic understanding regarding the influence of historical entry mode experience on mode choice decisions.

In conclusion, my study enriches entry mode literature by furthering the understanding of historical entry mode experience in shaping entry mode selection decision. I develop a new perspective– EMP theory to explain how the collective influence of several attributes of entry mode experience can guide the firm to make a sound mode of entry choice. By looking at the collective impact of different attributes including relatively unexplored facets such as size, recentness, performance and function of prior international entries, I argue that we can shed light on the overlooked nuance of interactions among distinct attributes and learning as well as uncover the reason for the lack of empirical consensus regarding the impact of experience on foreign ownership levels. Overall, EMP theory moves the entry mode research forward by employing a novel insight that explores the interdependence among entry modes and addresses the issue of paucity of strategies for superior mode selection.

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